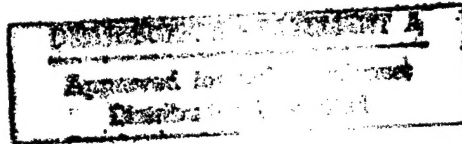


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# China Report

ECONOMIC AFFAIRS

No. 270

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5 October 1982

# CHINA REPORT

## ECONOMIC AFFAIRS

No. 270

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## NATIONAL POLICY AND ISSUES

### 'JINGJI YANJIU' ON ECONOMIC 'REGULATORY MECHANISM'

HK230713 Beijing JINGJI YANJIU in Chinese No 8, 20 Aug 82 pp 20-21

[Article by Wang Qihua [3769 1142 5478] of the Beijing Institute of Commerce: "Establish an Overall Regulatory Mechanism for Socialist Economy on the Basis of Planned Economy"]

[Text] Planned economy is the basic system of a socialist economy, but under the condition that planned economy also comprises a market mechanism, objective reality demands the establishment of an economic mechanism which integrates planned and market conditions. The aim of our suggestion that the market mechanism should play a role in our economy is to alter the past irrational economic system.

The reform of the economic system should solve two problems: one is the problem of motive force and equilibrium; the other is the problem of the integration of macroeconomic decision with microeconomic activities. Once these two problems have been properly solved, the national economy can then develop proportionally in a planned way in accordance with the inherent laws of economic motion. Here we put forward a proposal for establishing a socialist economic mechanism that incorporates the planned mechanism and the market mechanism, and it is our task to find some way to solve these problems.

What elements constitute the planned mechanism? Lenin said: "Capitalism will inevitably be replaced by a new socialist system which will implement planned economy." (Lenin: "To Charles P. Steinmetz," the Collected Works of Lenin, Vol 35, p 555) The essential requirement of this kind of planned economy is that society relates [words indistinct]. This is planned regulation in its original sense.

But at the present stage in our country, simply implementing this planned regulation in its original sense will push aside market regulation and, in effect, negate the production and exchange of commodities, which has been proved feasible. However, the smooth development of social reproduction needs these two categories to be kept in balance. From the viewpoint of society as a whole, planned regulation will certainly play a leading role. This leading role first shows itself in the planned economy. Under the condition that there coexist many kinds of ownership and diversified economic benefits, the economic plan formulated by the state has to include direct plans and indirect plans.

Within the internal structure of the state-owned economy, a plan system that incorporates direct plans and indirect plans should be implemented, while for the collective-owned economy, in general, only indirect plans should be implemented. With regard to power, there are state plans, regional plans and enterprise plans. With regard to contents, there are economic plans (including production plans, distribution plans, circulation plans and consumption plans), social development plans and science and technology plans, with the economic plan representing the integration of the three. As regards planning restraints, there are directive targets and guiding targets. The directive targets are generally associated with the direct plan of the state. The realization of both the direct and indirect state plans should make use of the economic lever which is associated with the economic category, and should resort to implementation of the economic policy.

It can be seen from the above that the planned mechanism should include the following three points:

1. Implement the plan system which incorporates the directive and guiding targets and also control the organizations for planned economy through the leading organs, or coordinate the economic development of the country through the leading bodies.
2. The state conscientiously makes use of the laws of value and also comprehensively makes use of various kinds of economic levers so as to coordinate the economic benefits of society as a whole, of the regions and even of the enterprises.
3. Formulate and implement policies for economic development in accordance with the requirements of the national economy's overall balance.

What elements comprise the market mechanism?

Practice has proved that great efforts should be made to develop socialist production and exchange of commodities. At the present stage in our country, there exists a very complicated relationship in the exchange of commodities. This exchange relationship is mainly composed of: different kinds of exchange relationships existing between state economy and collective economy, between different state-run enterprises, between different collective economic units, between the masses in the city and in the countryside and the commercial units, between the peasants themselves, and between the peasants and the people in the city. They constitute the sum of the relationships in the exchange of commodities and form the socialist unified market. By unified market is meant that the state implements unified leadership, unified planning and unified principles and policies. Without this kind of "unification" there would not be any planned economy. However, our economic units are scattered and enjoy relatively independent operational rights. Therefore, within the scope of planned economy there should be a "small amount of freedom," and the market is the basic condition for the existence of this kind of freedom. The extent to which the "small amount of freedom" is allowed should be in conformity with the plan system we implement. That is to say that our market is not an anarchic free market. From the degree of restraint on the

plans, the markets are composed of three parts: direct plan market, indirect plan market and the "free market" within the extent approved by the state plan.

As illustrated above, if we make an analysis in an abstract sense without taking into consideration the conditions for planned economy, the markets which reflect the relationships in the exchange of commodities, consist of many factors. Primarily they are: the form of market realization (this means the economic relationship between the buyer and the seller on the market in realizing the value of the commodity and the value of its utilization), market price, demand and supply, market competition, and the profits of the enterprises. These factors being very closely related, interact with each other. Or we might say these factors combine together to perform a basic function, which we call "market mechanism." It has a specific characteristic: under the condition of unplanned economy, the proportionate distribution of social labor depends for its realization entirely on the function of the market mechanism. Under the conditions of our country, if we give up or weaken the planned economy, then the situation will be just as Comrade Sun Yefang pointed out: "If we plan our production targets entirely according to the demand and supply of the market and to the fluctuation of commodity prices, then there will be no difference between our economy and a capitalist economy." (See "China Finance and Trade," 13 April 1952) However, under the condition that there exists a commodity and currency relationship, it will not do if the factors of market mechanism are not allowed to play their role. The essence of the problem lies in the question of how we should make use of market mechanism. What we mean here is to make use of the price lever in the market to regulate production and circulation. Under the condition of our planned economy, the market regulation, which originally meant the regulation of production and circulation by the market mechanism itself, is under the restraint of the planning mechanism and is thus endowed with the nature of planning. It has become a form of socialist market mechanism, and the unplanned spontaneity present in ordinary market mechanism is brought under control. For those factors in market mechanism such as the form of market realization, the state-owned economy and the collective economy can realize the relationship of purchase and sales through various concrete forms such as meetings for ordering goods, the signing of contracts based on the state plan and so on. As for the market prices, a certain limit of floating may be stipulated. Stipulated prices in the enterprises under the guidance of the state plan, the "free prices" under the supervision of the state's overall plan and others may be implemented. All these are a "small amount of freedom within a big plan."

It can be seen that the relationship between the planning mechanism and the market mechanism within the structure of our planned economy is that the market mechanism is restrained by the planning mechanism, and the market mechanism also reacts with the planning mechanism or the market mechanism exercises a feedback role on the planning mechanism.

## ECONOMIC PLANNING

### JIANGSU INDUSTRY, COMMUNICATIONS SECTOR FULFILLS PLAN

Nanjing XINHUA RIBAO in Chinese 10 Jul 82 p 1

[Article: "Marked Improvement in Economic Results in the Industry and Communications Sector in the Province in First Half of Year"]

[Text] Production by the industry and communications sector in the province during the first half of this year was remarkable. The total industrial output value increased by 11.8 percent and revenues increased by 11 percent over the same period last year, with marked improvement in economic results.

This year, the industry and communications front in the province has undergone a series of changes in both guiding thought and practical work, all centering around economic results. Instead of paying attention mainly to output and output value, it is now directing its efforts to the production of new varieties and to quality and marketability. Instead of attending to production in the main, it is now paying attention to both production and management. Instead of expanding production capacity as its main task, it is now carrying out technical transformation and equipment renovation, tapping potential, practising economy, lowering production costs, and increasing its income. Instead of working aimlessly, it is now paying attention to the important points and carrying out reorganization. This work has the following four features:

First, a steady all-round increase in industrial production. All 14 prefectures and municipalities in the province have reported increases, and these increases remained steady every month and every quarter of the year. Both light and heavy industries among the enterprises owned by the whole people as well as by the collectives (including the industry run by communes and production brigades in the countryside) grew simultaneously for the first time in many years. Heavy industry increased its output by 12.8 percent in the first half of the year. This rate of increase surpassed that of light industry. The machinery industry had a quick upswing, and the rate of upswing of the agricultural machinery industry in particular was 25 percent. Increases in the production of chemical products and building materials were at the rate of approximately 12 percent. The textile industry increased at the rate of only 2.15 percent because of reduced price of chemical fibers, restricted production, and other factors. Only electronic industrial production had a decline. While striving to increase production, this sector also continued

its energy conservation efforts. For every 100 million yuan in output value, the overall energy consumption was reduced by approximately 700 tons of standard coal--a reduction of 2 percent.

Second, an increase in easily marketable goods and designs and varieties and a steady improvement in quality. Of the 100 types of goods to be produced according to state plan, 77 of them reached more than one half of their annual production plan, and 79 of them showed increases over the same period last year. Chemical fertilizers, insecticides, fodder-processing machines, sprays for liquid and powder, hand tractors, and motor-driven threshers--all in short supply--have increased by a wide margin. There has been an increase of more than 15 percent in cement, plate glass, and plywood, all being main items of building materials. The main products for the market of light industry, such as detergent powder, furniture, bicycles, salt, beverages, and sugar, have increased within a range of 16 to 87 percent. Laundry machines increased fourfold. The output of pure cotton cloth needed by the masses reached 641 million meters, an increase of 10.7 percent over the same period last year. The production of iron alloy and calcium carbide, which requires heavy energy consumption, was controlled according to plan. The production of such overstocked goods as radio sets, soap, and cigarettes have been resolutely restricted. In the first half of this year, the output of terylene blended fabrics was reduced by 7 percent below the same period last year. Now the majority of prefectures and municipalities are able to organize their production according to the control indices. In increasing the production of easily marketable goods, this sector has also speeded up the trial production and regular production of new products. In the first half of this year, 187 types of new products were in regular production in the province. Most of the products in the province are of good quality. According to inspections of 55 types of main products, based on set quality standards, the rate of steady improvement reached 85.6 percent.

Third, a sustained growth and overall completion of plans for communications and transportation. In the first half of the year, all local communications departments in the province completed approximately 53 percent of the annual plan for passenger and cargo transport. Of the 53 stations under the Nanjing Railway Branch Bureau, 52 completed their plans for the first half of the year, and the unloading service continued to improve every month. The Nanjing Harbor Administration Bureau completed 53 percent of its annual traffic handling plan. Plans for the postal and telecommunication services in the province for the first half of the year were also fulfilled. Despite the difficulties caused by the low water level in the canal following the drought, the water transport departments ensured the completion of transportation tasks for coal, building materials, and chemical fertilizer. Traffic safety also improved, and many communications enterprises turned losses into profits.

Fourth, increased revenues along with increased production. Revenues in the first half of the year exceeded the same period last year by 11 percent, which was close to 11.8 percent of the total industrial output value. This is the first such change witnessed in many years.

However, there were also some new conditions and new problems deserving of our attention in the first half of the year in industrial and communications production. First, the stock of some goods continued to accumulate, mainly because production did not correspond with social needs and the channels of commodity circulation were not sufficiently cleared. Second, consumption of fuel, power, and raw materials for some products was increased. Third, production safety was inadequate. These problems should be carefully solved in the second half of this year.

The speed of production in the first half of this year seemed to be high because the base figure set for the first half of last year was low. Therefore, the production tasks for the second half of this year will be arduous. The provincial economic commission called on all areas engaging in industrial and communications production to continue their efforts to provide active guidance in planning, to take care of energy resources and transportation facilities, to reduce consumption, and to raise labor productivity and profit rates, all centering around economic results. It is necessary for them to improve their business management, to be well informed of the market situation, to increase the varieties of products according to market needs, and to improve the quality of their products. Both industry and commerce should make joint efforts to promote the sale and circulation of goods. They must conscientiously sum up experiences in enterprise reorganization, solve the important problems, and strive to do even better in industrial and communications production in the second half of the year.

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## ECONOMIC MANAGEMENT

### THREE PROBLEMS IN TECHNICAL, ECONOMIC COOPERATION CITED

Shanghai JIEFANG RIBAO in Chinese 15 Jul 82 p 4

[Article by Shen Junbo [3088 4546 3134], Zhong Zhe [6945 0772], Wang Yaping [3769 7161 1627], and Zhu Zhengyi [2612 2973 7328]: "Three Problems in Technical and Economic Cooperation"]

[Text] There have been new developments in transprovincial and transmunicipal technical and economic cooperation in recent years. Many forms of cooperation, such as interprovincial joint exploitation, domestic compensatory trade, transprovincial joint enterprise, and transregional technical cooperation cutting across different systems of ownership have emerged to bring prosperity and fresh vitality to the socialist economy. While these innovations, which have strong vitality, are gaining popularity, there are many important theories and practical problems to be deeply explored. Here, let us present our views on some problems with which everyone is concerned.

#### Is Technology a Commodity?

Should the transfer of advanced technology inside our country be free or paid for? We are of the opinion that under our socialist system, technology has the attributes of a commodity for the following reasons: 1) Our economy is a planned economy with the system of public ownership as its foundation. It is also a socialist commodity economy. Technology will be inseparable from commodity, once its fruits are used in the sphere of production, and that is why it has the attributes of a commodity. Usually, the level of technology decides the commodity's performance, its competitive power in the market, and its economic results. Along with the progress of modernization, the reliance of production on technology continues to increase, and the position occupied by technology becomes more and more important. 2) Technology also has certain characteristics of common commodities. It is true that technology is neither a real object nor a final product; however, it has the attributes of value and use value. The value of technology comes from the socially necessary labor which it embodies. It also has use value because it enables the enterprise to enlarge its productive capacity, improve the quality of its products, increase their varieties, and bring about better economic results. It is precisely for this reason that the transfer of some new technology which can help increase value must be paid for. This is only the correct way to increase productive capacity by economic means. It should never be called a crooked way. In fact, the unit which offers the transfer to others has done a great deal of hard work on research, and the fruits of its labor have been



socially accepted. It is therefore entirely reasonable that it should be rewarded for its labor. Although the unit accepting the transfer has a certain amount of technical expense, it stands to gain more than it loses. Some people feel that since the research funds are allocated by the state and the research personnel are also organized by the state, the fruits of research should belong to the state. Thus, they feel, accepting payment for the transfer of technology means "benefiting the unit at the expense of the state." This line of argument cannot be the basis for opposing the transfer of technology at a price. State-run enterprises all come from state investments, and their personnel are also organized by the state. Then why should the transfer of the enterprises' products be paid for, while technology is singled out for free transfer?

When we say that technology has the attributes of a commodity, we do not mean that we should follow the example of capitalist countries where technology can be completely commercialized, in which case we would all be in the business of selling technology. Nor can we charge exorbitant prices for transfers. Under the conditions of socialism in our country, not all the fruits of technical research can be transferred and paid for. Some scientific and technological achievements, such as the technology of energy conservation, the technology of family planning, and the fine strains for agriculture, can help to create a great deal of social wealth and to accelerate national construction, but their transfers among enterprises and scientific research units are not necessarily paid for, since these transfers are compensated by the state under a unified arrangement. Some advanced experiences in production and management, such as "Hao Jianxiu's [6787 1696 4423] work method," Hua Luogeng's [5478 5012 1649] "method of finding the best solution" and "method of overall planning," and the Shoudu Iron and Steel Company's enterprise management experiences should be vigorously popularized, but there is no need to pay for their transfer.

#### How To Reconcile Cooperation With Competition?

Some people hold the view that if we talk about cooperation, there can be no competition, and that if we talk about competition, cooperation will be difficult. It is very difficult to reconcile them.

"Cooperation begets new productive forces." Socialist cooperation is one of the most effective ways to increase social productive forces. Socialism is associated with the production and exchange of commodities, and wherever there are the production and exchange of commodities, there is competition. Socialist competition is a necessity, but there is an essential difference between socialist and capitalist competitions. Capitalist competition takes the form of a sanguinary struggle carried on under the jungle law of "dog eat dog" and with various deceptive tactics resulting in the "survival of the fittest." Socialist competition, on the other hand, is carried out through mutual comparisons on the basis of economic laws. The competitors spur one another on until finally they all achieve the common goal of progress.

Socialist cooperation and competition are a unity of opposites, since there is no basic conflict of interest among socialist enterprises and their goals are identical. Cooperation through coordination of efforts brings them to their common goal of progress; competition, on the other hand, spurs them forward



through comparisons. The combination of competition and cooperation is a healthy combination of stressing ideology and style and stressing economic accounting, and is a concrete expression of the relationship of mutual assistance and mutual benefits among socialist enterprises. However, among socialist enterprise and different areas, it is not easy to carry on both competition and cooperation. Advanced enterprises should selflessly and sincerely help the fraternal enterprises improve, but they also worry that an increase in the number of competitors would affect their own sales, their economic results, and their fulfillment of state plants. Their "unique skill" and "secret formula," acquired with a great deal of painstaking efforts, are usually "worth 1,000 pieces of gold" and can be "given away in one sentence." Once gone, they cannot easily return. They are also afraid that "as soon as the journeyman becomes proficient, the tutor will come to grief." In developing transprovincial and transmunicipal technical cooperation, therefore, it is on the one hand necessary to treat our companions with a communist spirit so that the advanced technology in our hands will soon become social wealth and all the tutors and journeymen throughout the country will benefit. Here, it is extremely necessary that the spirit of "I will let go whatever others need" and "I will let others learn whatever I have discovered" be fostered. On the other hand, a positive policy should be adopted in handling the relationship between cooperation and competition. Enterprises and scientific research units should be encouraged by all concerned to offer and pass on their advanced technology. They should also be duly compensated and rewarded, and adequate measures should be taken to protect their patent rights. The invention and popularization of advanced technology should be promoted with economic means so that it can play an even greater role in the four modernizations.

Competitors in business as well as partners in cooperation should all be united in the form of integration. In any case, their ultimate goal is common progress. To maintain the healthy development of competition and technical cooperation, different forms of economic integration in varying degrees should be adopted at different levels so as to achieve the goal of common benefit, mutual assistance, and mutual progress. A host of facts have proved that it was only the road of integration that enabled Shanghai to achieve great success in transferring technology to the inland. It also brought about the gradual intensification of technical and economic cooperation.

#### How To Distribute Benefits Rationally?

The principle for the distribution of benefits from technical and economic cooperation should be the same as that for the distribution of national income--that is, consideration of the interests of the state, the enterprise, and the workers. First, increased revenues for the state must be ensured as a prerequisite. Then the enterprise must retain some profit and the workers and staff members must have their income so that the enthusiasm of all concerned can be aroused. Improving economic results and ensuring increased revenues for the state are the main goals in developing transregional technical and economic cooperation. Such goals also represent the basic and long-range interests of the enterprises as well as their workers and staff members. However, there are now different views on "first ensuring increased revenues for the state." Some people feel that so-called "increased revenues for the state" means that the income of the party which has transferred technology to

others through cooperation should be handed over to the state as much as possible. Others hold that the "increased revenues for the state" should come from the increased taxes and profits to be paid and handed over to the state according to regulations by that party which has accepted the transfer and has improved its economic results by using the advanced technology. These people further contend that the income of the party which has transferred the technology to others is but a very small portion of the benefits derived from technical cooperation, and that this very small portion should be used as compensation for technological exploitation and a reward for above-quota labor, instead of being taxed excessively. We believe the latter view to be more conducive to the development of technical cooperation. Improved economic results have enable the receiving party to contribute more to state revenues. This contribution from the receiving party is also a contribution from the giving party. Anyone overlooking the major portion of income and trying to account for the very small portion is taking only a partial view of the situation. If the giving party finds that it cannot have much to gain and that technical cooperation would even mean an increased economic burden, this type of cooperation may stall, in which case the state may fail to get what it should from the larger portion.

As for the question of profit retention by the enterprises, it must be pointed out that in most cases, technical and economic cooperation is associated with expanded reproduction of the intensive type with the characteristics of even greater reliance on technical progress and higher investment returns. While new types of technology are appearing in an endless stream and a "technological explosion" is impending, technology, like fixed assets, will become obsolete a much faster rate (through invisible wear and tear). When an enterprise transfers technology to others, it must also build up its own new technological reserve and speed up the exploitation of new technology. Under the present economic conditions in our country, neither enterprises nor scientific research units can count very much on exploitation funds. If they can get some income from technical cooperation and use this income to exploit new technology by setting up "technological nurseries," they will be doing a great service to the state as well as to the enterprises.

As for the question of income for the workers and staff members, some people hold the view that since the principle "to each according to his work" has already been embodied in their wages and bonuses, the increased income from technical cooperation should be totally, or mostly, handed over to the state, with little or none left for the workers and staff members, lest it have unfavorable effects on other enterprises. In our opinion, it must be affirmed that technical cooperation is a form of above-quota labor of the workers and staff members after ensuring the fulfillment of state plans. The task of the personnel working outside is much more arduous than that of those working inside their own enterprises, and their responsibility is also heavier. At the same time, their personal expenses have to be increased. Those remaining in the plants have to share the work left behind by those working outside, and also have to put in extra labor. Since they have created much wealth for the state, they should be rewarded, and their remuneration should be higher than that given by other enterprises which do not have to go out for technical cooperation. This not only is consistent with the principle of more pay for more work, but also embodies a combination of economic benefits from transferring technology to others and economic responsibility.

## ECONOMIC MANAGEMENT

### SHANGHAI'S TECHNICAL, ECONOMIC PROBLEMS WITH INTERIOR NOTED

Shanghai JIEFANG RIBAO in Chinese 29 Jun 82 p 2

[Commentary by staff reporter: "How Are We Correctly To Regard Technical Coordination and Economic Integration?"]

[Text] Technical coordination and economic integration are gradually developing between Shanghai and the interior. Not long ago, Shanghai's theoretical workers and practical workers formed seven investigation teams, which separately conducted investigations in the departments and enterprises concerned in this city as well as in places in Hubei, Anhui, Shandong, Heilongjiang, Zhejiang, and Henan. Looking at the information gathered from the investigations, we see that the development of technical coordination and economic integration has brought great benefits to Shanghai and the interior and that there are many successful experiences that need to be summed up. At the same time, the investigations revealed many new problems that, theoretically and practically, require additional research and solutions. The problems of common concern are, in broad outline, as follows:

1. The problem of how appropriately to estimate the position and role of these new economic forms in the development of the socialist economy. The technical coordination and economic integration between Shanghai and the interior have developed during the readjustment of the national economy. For the most part, Shanghai needs to resolve the difficulties in developing production of insufficient factory building and sites as well as the supply of raw materials; the interior hopes to obtain from Shanghai help with regard to capital, technology, equipment, as well as managerial experience. Some comrades think this is only an interim plan necessitated by the adaptation to the readjustment, and other comrades think that it is an inexorable trend in the development of socialized mass production and should be regarded as a strategic measure for developing production. If it really is an inexorable trend in the development of the economy, then there is the question of how, by integrating theory with reality, to provide scientific proof that it is an inexorable trend.
2. The problem of what is the nature of the relationships of economic associations in the technical coordination and economic integration under socialism. Is it a relationship of comradely mutual help and cooperation, or is it a relationship of equal mutual benefit? If it is a relationship of equal mutual benefit, then should any single item of technical coordination be compensated for by transferring its possession, or should there be, based on different

situations, both compensation by transfer of possession and even universal popularization? On what principle should compensation by transfer of possession be determined, and how is its value to be calculated? How are we to evaluate it with regard to the methods presently adopted of calculating costs on the basis of output value, distributing shares on the basis of profits, and collecting fees based on product quality? How are we to perfect the method of transferring technology?

3. The problem of how to handle properly the relationship between technical coordination and competition. For the most part in technical coordination, what the interior wants are commodities that are in relatively short supply on the market or brand name goods of fairly high quality. When the demand for these products is fairly high the contradictions are not very prominent, but once the demand reaches a saturation point the contradictions intensify. The side that provides experience in managing advanced technology often worries that "helping the apprentice spells the downfall of the master worker." How should this problem be solved? Some comrades maintain that the technological benefits turned over to others should be regarded as developmental funds used to foster talent, encourage the creation of investments, and increase technological reserves in order to carry continuously out technological renewal. Can this be regarded as a financial policy for developing technology that both protects competition and promotes integration and coordination?

4. The problem of how to carry out unified planning and arrangements and how to strengthen planning. Most of the technical coordination and economic integration that now cuts across provinces and cities is spontaneously carried out between departments or between enterprises; the advantage of this is that it arouses fully the enthusiasm of the department or enterprise, but its drawback is that it lacks consideration for the overall situation and can easily lead to blindness in action. Heiqu meisu gaochan ningmengsuan junzhong [7815 2575 7199 4790 7559 3934 2899 2916 6808 5494 4429] researched and developed by Shanghai, after being used by the Fengbin Citric Acid Plant, produced a marked effect, turning a loss into a profit that year. When various places knew about this, one after another they demanded that they be supplied with this technological item. People were aroused to take precipitate action, and output of the bacterium strain soared, with the result that supply exceeded demand and the market for it was adversely affected. A situation developed in which an originally "shortline" product rapidly changed into a "longline" product. In some places, there appeared the phenomenon of contention for raw materials, energy, and markets to such an extent that the readjustment of the national economy then being carried out was obstructed. Therefore, it is necessary to study and formulate a set of methods which gives both full play to the initiative of areas, departments, and enterprises and takes into account the overall situation, thereby avoiding blindness in developing production.

5. The problem of how to develop an economic management system suited to technical coordination and economic integration. Some coordination and integration projects often involve many departments and require overall planning and preparation; otherwise it will not be easy to solve many problems. For example, there are the beef cattle-raising bases jointly set up by Shanghai and the interior. Originally, they obtained appropriately large economic

results, but because the management of the processing of beef, cowhide, and cattle products involved many departments and enterprises in commerce, light industry, handicrafts industry, and farms, and there was no department for overall management, things could not get done. With regard to the financial system, after the institution of the system of "eating in separate messhalls," the initiative of the localities was raised, and they all hoped for a little more income and a little less expenditure. As to the technical coordination and economic integration project between the provinces (cities), there was the problem of how to take account of the interests of the two sides while not hurting the state plan with regard to output value, profit, and tax revenue. This problem requires deep study.

The above-mentioned problems require additional guarantees with respect to economic legislation, and the correct solutions to these problems must be vigorously pushed forward.

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## ECONOMIC MANAGEMENT

### METHODS OF ENTERPRISE REORGANIZATION SUGGESTED

Yinchuan NINGXIA RIBAO in Chinese 4 Jul 82 p 1

[Commentary: "Make Great Efforts and Set High Standards for the Work of Enterprise Reorganization"]

[Excerpt] The work of reorganization among the industrial, communications, and capital construction enterprises has been going on for 4 months. How is this work getting on? This is a matter of concern for everybody.

The 381 state-run and collectively owned enterprises which formed the first group to be reorganized in this region, particularly the 87 enterprises in which inspection groups are stationed, have shown initial success after the first phase of reorganization. The production and management of some enterprises and the spiritual outlook of the broad masses of workers and staff members have begun to improve. Other enterprises have shown marked improvement in their economic results. From January to May this year, the total industrial output in Yinchuan Municipality was up to 43 percent of the planned output--an increase of 17.9 percent over the same period last year. The profits of the 152 enterprises in the municipality, after taking into account some losses, increased by 1.82 times over the same period of last year. In Zhongning County, the total industrial output value amounted to 44.9 percent of the annual plan, an increase of more than 60 percent over the same period last year. Six of the eight state-run enterprises in the county made profits, and the total amount of their profits was more than 15 times that of the same period last year. The Zhongning County Knitted Goods Plant has already overfulfilled its profit plan of 100,000 yuan for this year.

The work of enterprise reorganization has now entered its second phase, during which the "five items of work" for the overall reorganization of enterprises has to be carried out. We must continue to act in accordance with the spirit of the central government's documents, make great efforts, set high standards, and make strict demands in order to accomplish the second phase of the work and to raise 10 percent of the first group of enterprises under reorganization up to level of "six-good" enterprises, while all remaining enterprises should carefully attend to the "five items of work" in order to become better enterprises.

At present, we must provide more active leadership over the work of enterprise reorganization. Judging from the experiences of those units which did well during the first phase, we can realize the importance of studying the documents of the Party Central Committee and the State Council and the need to firmly grasp this link. The regional people's government has urged all prefectures, municipalities, counties, and bureaus in charge under government to listen carefully to periodic reports, to study the work and to render prompt assistance in the solution of problems in the reorganization. The leading comrades concurrently in charge of the reorganization should visit the enterprises at least once or twice each week to study and guide the work. The inspection groups stationed in the enterprises should further revolutionize themselves and fulfill the duties of assistance, supervision, and guidance. All areas and departments have also been urged to carefully handle the work of reorganizing the enterprises in general. They should sum up the experiences of several successful enterprises and popularize them among the other enterprises.

In carrying out the work of reorganization, we must strive to accomplish the purpose of improving the enterprises' economic results. From January to May this year, the total industrial output value in the region as a whole grew higher every month. We have fulfilled 42 percent of the annual plan, an increase of 12.7 percent over the same period last year. However, the economic results were not so good, and the decline was particularly serious among the large and medium-size enterprises directly under the region. If we can achieve the same economic results for them as we did for the first group of enterprises to be reorganized, the economy of all industrial and communications enterprises in the region will be greatly improved. Since these enterprises play an important role in either output value or profits, we must therefore give them the following five admonitions: Do not keep your eyes on output value alone and neglect economic results; do not be concerned only for the amount of profits and disregard social needs; do not strive for the benefits of your own units at the expense of the overall interest of the whole country; do not think of extensive expansion of reproduction alone and forget about intensive expansion; and do not always ask for money from the state and fail to consider the magnitude of your contributions to the state. In action, we must be sure to produce easily marketable goods according to social needs and changes in the market, further improve our business management, streamline labor organization, lower production costs, and energetically promote our sales. We must take forceful measures to enable some enterprises to turn their losses into profits within certain time limits, and urge the enterprises making profits to make greater contributions to the state.

The focus of the work of reorganization in the second phase is to learn from the experiences of the Shoudu Iron and Steel Company and to further streamline and perfect the system of economic responsibility. The purpose of adopting the system of economic responsibility is to arouse the enthusiasm of the broad masses of workers and staff members, to improve economic results, and to increase social wealth. Therefore, the enterprises must not always think of the distribution of benefits or of the amount of profits to be retained. They must follow the example of the Shoudu Iron and Steel Company, take the improvement of economic results as their goal, and consider the overall fulfillment

of state plans and the meeting of social needs as the primary duty of the enterprises to the state. They must uphold the unity of responsibility, rights, and interests; inside the enterprises, the system of economic responsibility must be firmly carried out at every level. They must correctly handle the relations of interests among the state, the enterprise, and the workers and staff members by giving first priority to the state's share. They must resolutely overcome egalitarianism in the distribution of bonuses and the mistaken idea of having as low quotas as possible, and they must correct the abnormal practice of increasing bonuses but allowing output value, profits, and labor productivity to decline by a wide margin.

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## ECONOMIC MANAGEMENT

### TYPES OF MANAGEMENT RESPONSIBILITY SYSTEMS DESCRIBED

Shanghai CAIJING YANJIU [THE STUDY OF FINANCE AND ECONOMICS] in Chinese No 2, 25 Apr 82 pp 28-32

[Article by Liu Zhiyuan [0491 1807 6678], Yang Yingen [2799 1714 2704] and Chao Gangling [2513 6921 0109]: "A Tremendous Reform in Commercial Enterprise Management--A Survey of Management Responsibility Systems Being Tried Out by Commercial Enterprises in the City of Changzhou"]

[Excerpts] The Major Forms of Management Responsibility Systems for Commercial Enterprises

The commercial sector is the sector of the economy that handles the circulation of commercial goods, involving many professions and complicated production tasks. This characteristic determines that commercial enterprises need to adopt a number of varied forms of management responsibility systems. At present, the following seven types are the systems of management responsibility being tried out in the commercial network of the city of Changzhou:

(1) Above target piecework system. For the most part, this form is suited to enterprises in which all labor is done by hand. For example, the coal cinder workshops which serve the key tea and boiled water shops in Changzhou stipulate that each worker will receive the base monthly wage for pulling the complete quota of 204 carts of coal and cinders. For every cart pulled above the quota he will receive 3 jiao. If the quota is not met, then 2 jiao will be deducted for every cart short of quota.

(2) Determination of management standards, above quota recording of workpoints, flexible value of each workpoint, payment in accordance with workpoints, and salary deductions for failure to meet targets. This form is suited to the hair grooming service industry. For example, the 38 high class beauty salons in the hair grooming industry in Changzhou all use this type of management responsibility system. The system works this way: Based on the differences in facilities, techniques and locations, hair grooming establishments are separated into three grades, A, B and C. Each employee is given a monthly quota determined by the grade of the establishment in which he or she works. Those who meet the quota receive a base wage; those who surpass the quota are awarded workpoints in accordance with certain standards; those who fail to meet the quota have money deducted from the base wages, with deductions not to exceed 20 percent of the base wage.

(3) Worker collective contracts, targets turned over to the state, independent management and enterprise responsibility for profit and loss. This form is primarily suited to enterprises in outlying areas where state management is inconvenient and to those that manage only a small profit or are on the verge of losing money. There are seven collectively owned enterprises trying out this system. For example, the Catering Trade Corporation carries out a "five sets" policy in regards to the Bianyi and Qingshan noodle shops: that is, it sets the enterprise funds, sets the primary fare, sets the primary ingredients, sets standards and prices and sets the amount to be turned over to them. The two noodle shops offer the corporation "two guarantees" and "one responsibility": that is, they guarantee to pay the agreed upon taxes and to turn over the funds decided on; and they will be responsible for all expenses, with surplus profit to be divided within the shop and with losses to be handled themselves.

(4) Individual worker contracts, targets turned over to the state and individual responsibility for profit and loss. This form is further distinguished by individual workers operating under contracts at the original shop and those managing themselves away from the shop. This sort of system is suited to those small stands offering food and beverages, minor services, groceries and hardware items that are difficult to administer and are located in out-of-the-way areas. There are 12 units trying out this system. For example, the Service Trade Corporation carries out a "three assurances," "three no changes," "one set" and "five regulations" policy in regard to the Yingchun and Yimin tea and boiling water shops that are operating on the worker self-management system. The "three assurances" are: assured payment of taxes, assured meeting of quota and assured handling of expenses. The "three no changes" are: no change in the original nature of the system of ownership, no change in the chain of command and no change in retirement remuneration. The "one set" is: setting the primary and concurrent operations. The "five regulations" are: (1) permission is needed to enter into or withdraw from a contract, contracts are for 1 year; (2) the period of self-management remains as public employment, workers continue to build seniority and transfer rotations are not affected; (3) housing and major tools used in doing business that were borrowed (or arranged for) and small amounts borrowed to get things going must be returned on time; (4) if, during the period of self-management, you employ temporary workers, you should apply to the corporation beforehand and adjust the amount of funds to be turned over; and (5) stringently adhere to state policies, laws and contracts. Those who violate them shall be seriously dealt with in keeping with the seriousness of the violation.

(5) Profit targets, distribution of any over-target profits, salary deductions for failure to meet targets and floating wages. Most enterprises trying this form of responsibility system are those with relatively steady management and little fluctuation in profit. For example, the Dexing Restaurant and seven other establishments carry out a 4:6 distribution of over-target profits--that is to say that the enterprise receives 40 percent and the workers receive 60 percent. Units that adopt this system always wind up with the extent of increase in worker incomes being greater than that of the state or of the enterprise. In order to remedy this flaw, when trying out this system, the Nanyang Grocery, the Tonghe Bathhouse and four other state or collective

enterprises supplemented it with a progressive reduction system, namely when the profits exceed the target by from 1 to 30 percent, the workers over-target distribution ratio is 40 percent; when the target is exceeded by from 31 to 50 percent, the distribution ratio is 30 percent; and when the target is exceeded by more than 50 percent, the distribution ratio falls to 20 percent. If profits fall, then salaries are cut, but not by more than 30 percent of a base wage.

(6) Profit targets, percentage of total profits retained when target is exceeded, salary deductions for failure to meet target and floating wages. This form is suited to commercial enterprises where the source of merchandise is a large factor in determining profits, such as department stores, textile enterprises, hardware and electrical supply units and chemical industries. There are 15 units trying out this system. For example, the Wujiaohua Corporation established a base profit target for the Xiangyang Wujiaohua Store of 320,000 yuan last year. In meeting this target, workers received a base wage; if the target was exceeded, then, in addition to the base wage, the workers received an additional wage calculated as 0.97 percent of the amount in excess of the target; if the target was not met, proportional deductions were made from the base wage, deductions not exceeding 20 percent of the base wage.

(7) Mostly fixed, partly floating, percentage retention wage system. This form is generally suited to food and beverage and service units and to grocery stores. For example, the Luyang Restaurant and nine other food and beverage shops split their base wages into seven parts fixed and three parts floating wages. The total floating income of workers consists of two components, one being the 30 percent of the base wage and the other being a percentage of the profits--the two being added together and distributed to the workers. If the enterprise meets its profit target, then fixed wages are paid along with the floating wages; when losses due to management problems are incurred, then the floating wages are used to make up the losses.

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## ECONOMIC MANAGEMENT

### PROBLEMS FOR WHOLESALE ENTERPRISES DISCUSSED

Beijing ZHONGGUO CAIMAO BAO in Chinese 13 Jul 82 p 3

[Article by Zhao Jie [6392 3638]: "Several Problems in Improving the Economic Results of Wholesale Enterprises"]

[Text] In commerce, wholesale enterprises are at the starting point of commodity circulation, being connected with production at one end and with retailing at the other. Improving the economic results of wholesale enterprises, therefore, is very important for promoting production and improving commodity circulation. Recently, I discussed with the responsible comrades of some wholesale companies in Beijing methods of improving the economic results of wholesale enterprises. They all believed that good economic results for wholesale enterprises mean the use of minimum funds, expenses, and labor in organizing their purchases and sales, promoting production, meeting people's daily needs, and earning reasonable profits. Economic results are shown through various specific economic indices, the turnover rate of funds, the profit rate on funds, the expense rate, the volume of purchases and sales, and labor productivity. Based on what we saw at the wholesale companies in Beijing, their economic results at present are fairly poor. The factors affecting economic results are fairly complex, since there are both external and internal factors in commercial departments. Generally, they are as follows:

1. Irrational stocking because of the high ratio of problem commodities. Since the commercial departments do not thoroughly study the changes in supply and demand on the market and their forecasts are inaccurate, they cannot promptly supply information on the market to the production departments or provide guidance on the production of easily marketable commodities. This also is the reason why they accept goods blindly. Furthermore, some production units are still stressing output value and profits and are accordingly producing goods of inferior quality and high prices, or goods that do not meet social needs. Again, some local leaders are using administrative means to direct the procurement of goods by the commercial departments. That is how the stocking becomes irrational, with a high ratio of problem commodities. In 1981, approximately 10 percent of the goods in stock in the department stores in Beijing were problem commodities. In the stocks of the municipal cultural supplies company, 9.8 percent of the goods are problem commodities. These problem commodities not only tie up funds indefinitely, increase the

interests on bank loans, and affect the turnover of funds, but also have to be finally sold at reduced prices, thus adding to the enterprises' losses.

2. Difficulty in dispatching goods and long waiting time for stockpiles because of the shortage of means of transportation and low transportation efficiency. The municipal cultural supplies company dispatches approximately 120 million yuan's worth of goods each year, but the majority cannot be dispatched according to plans. They have to wait for 3 or 4 months, or even longer.

3. Irrational labor organization and low labor productivity. At present, labor in many enterprises is irrationally organized. There is no fixed number of workers and no fixed quotas, and labor power is excessive to the requirements of commodity circulation.

4. Irrational direction in commodity circulation and large amounts of goods in transit. At present, many enterprises are still organizing commodity circulation according to administrative zones, and the wrong choice of transportation routes leads to irrational directions in circulation. Long transportation routes and large amount of in-transit goods not only affect the turnover of funds but also increase transportation expenses.

5. Duplicate handling of incoming and outgoing goods but separate accounting among enterprises. The goods obtained for Beijing from factories or foreign ports are generally handled first by the incoming-goods section of the municipal company, and later transferred to the wholesale departments in various areas. The accounting for these transactions in the company and the wholesale departments is handled separately. This arrangement can very easily cause dislocation between the procurement and the sales of goods. Furthermore, duplication in the handling of incoming and outgoing goods increases the number of steps in the process and ties up more funds. The need for two warehouses [one each for the company and the wholesale department] also means a waste of money.

6. The system of funds control by banks not suitable for the enterprises' business activities and funds control. The municipal bank branches do not handle specific business activities, which are left for the regional offices. Commercial organizations must open their accounts, arrange loans, settle their accounts and so forth with the banks in the same regions in which they are located. This results in some manmade restrictions which interfere with the efforts to make adjustments between different regions. The enterprises' lack of control over funds not only affects their economic activities but also hampers their fruitful use of funds.

7. Some commodities bring losses to commerce, and there are also commodities that serve as a medium for commerce to subsidize industry.

How can we improve the economic results of wholesale enterprises? The following suggestions were made:

1. More than 85 percent of the wholesale enterprises' circulating funds are commodity funds. To improve the economic results of wholesale enterprises,

therefore, one of the most important ways is to procure more easily marketable commodities so as to stop the present irrational stocking. This calls for the common effort and closely coordinated action of both industry and commerce. Commercial departments should be able to make reliable market forecasts and help production departments produce more easily marketable goods. At the same time, their procurements and sales should be more carefully planned so that goods will not be purchased blindly. Production departments should correct their practice of striving purely for output value and profits and should organize their production according to social needs. If the market for some commodities is sluggish, production departments should promptly readjust their output. Commercial departments should still try to sell them as best they can, and production departments should be allowed also to sell them themselves. The higher authorities, however, must not compel commercial departments to procure them. By this means, we will be able to raise the marketability rate of commodities, reduce the ratio of problem commodities and the tieup of funds, and thus speed up the turnover of funds with better economic results. According to the year-end inventory taken by the municipal department store in 1981, the amount of funds being irrationally tied up could be reduced by 9.85 million yuan if the ratio of problem commodities could be reduced from 10 to 5 percent.

2. There should be determined stocks for the enterprises. At present, there are no rational stocks for wholesale or retailing enterprises, since they can be either too large or too small. Thus there is no rational criterion for judging whether or not the commodity funds are being properly used, and a waste of money can easily result. Therefore we must follow the principle of ensuring adequate supplies to the market and yet preventing overstocking; study and determine reasonable stocks; and thereby strengthen our control of commodity funds. Since the role of wholesale enterprises is similar to that of reservoirs, there should be some flexibility in the size of their stocks.

3. Transportation facilities should be increased and the methods of dispatching goods improved in order to reduce the waiting time. There are many complex causes for the large accumulation of goods awaiting transportation: first, inadequate facilities for commodity transportation; second, irrational dispatching; third, lack of close coordination between the various links in the transportation departments and their low efficiency; and fourth, the small proportion of goods received by wholesale enterprises directly from the factories to the total amount of goods to be transferred. Correction of these discrepancies calls for the common efforts of both the transportation and the commercial departments. The transportation departments should appropriately increase or readjust their transportation facilities and improve their dispatching methods in order to ensure the timely delivery of goods, while the commercial departments should make efforts to obtain their goods direct from the factories. In this way, the waiting time will be greatly reduced and much money can be saved.

4. Commodity circulation should be organized according to economic zones, and rational transportation routes should be chosen so as to ensure proper circulation of commodities, reduction of goods in transit, and shorter time of commodity circulation. This will reduce expenses and speed up the turnover of funds.

5. Labor should be better organized, and management should be further improved. The use of labor power has a direct bearing on an enterprise's economic results. Wholesale enterprises should also gradually adopt the system of fixed number of workers and fixed quotas, reduce the number of surplus personnel, curtail expenses, and raise their efficiency. At the same time, they should step up training for the workers and staff members so as to increase their vocational and managerial skills.

6. The structure of wholesale enterprises should be readjusted so that both incoming and outgoing goods will be handled specially by one party. Duplicate handling of incoming and outgoing goods, thus requiring two warehouses, should be eliminated, so that only one warehouse will do. All necessary intermediate links should be removed. This will not only facilitate the coordination of production and sales, but will also reduce the unnecessary tieup of funds and will speed up their turnover.

7. The selling prices of some commodities--which have been unreasonably priced and which are bringing losses to commerce--should be readjusted, provided such readjustment does not disturb the stability of commodity prices on the market. If such losses are caused by excessive profits for industry, then industry should give up part of its share for commerce. If neither industry nor commerce can make enough profit out of these commodities, then production departments should strive to tap potential, lower production costs, and increase profits. This will help not only the commercial enterprises in conducting cost accounting, but also the industrial enterprises in lowering their production costs.

Finally, everyone agreed that as long as economic results are highly regarded and effective measures are taken, it will be possible to improve the economic results of wholesale enterprises. The suggested measures cannot be carried out by the commercial departments along, however, because they call for simultaneous action in close coordination with other departments.

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## ECONOMIC MANAGEMENT

### CONSUMERS SEEN AS NECESSARY LINK IN PRODUCTION CHAIN

Shanghai WEN HUI BAO in Chinese 25 Jun 82 p 3

[Article by Jin Wen [6855 3090], vice president and associate professor of the Anhui Provincial CCP Committee Party School, in "Forum of Social Sciences Workers" column: "The Immediate Goal of the Economic Responsibility System Should Include Taking Into Account the Interests of Consumers"]

[Text] The enthusiasm of the workers, staff, and managerial personnel of industrial and commercial enterprises in which the economic responsibility system has been put into effect has truly been greatly heightened. However, viewing the present situation, there is much behind the question of where this enthusiasm which has been aroused is to be put. In real life there are those who "haggle" with the state or enterprise in every possible way, those who "fill up in proper order" and "pocket part of the weight" and those who are trying by different ways to "distribute more income to staff and workers." The enthusiasm aroused by practicing the economic responsibility system under this kind of guiding ideology is a partial, individual "economy" enthusiasm, and it lacks the sense of "responsibility" of socialism. This merits our attention.

What is the immediate goal of the socialist economic responsibility system? The common view is that, based on the idea of correctly handling the relationship between the state, the collective, and the individual, the goal is to have an enterprise effect the "three increases" in the interests of the state, the enterprise, and the individual staff member or workers. This view is correct but not perfect. Its imperfections are that it cannot comprehensively reflect the relationship between the characteristics of an enterprise's activities and the principal economic interests which the enterprise is involved in, and that in theory it ignores the interests of the consumers.

If we look at the laws of economic movement, we cannot but consider the interests of consumers. In the cyclical movement of four links that products go through--production, distribution, exchange, and consumption--there are inevitably four participants--the state, the enterprise, the staff and workers, and the consumer--and inevitably, of the interests involved in these four aspects, those of the consumer occupy a position that cannot be ignored. Just as Marx stated: "If there is no production there will be no consumption. But if there is no consumption neither will there be production." This is because



products are not the same as purely natural objects. "Only by being consumed do products become real products," and "Consumption creates production's motive force." We can see that without the participation of consumers, product circulation and economic movement will be broken off, and if the consumers' interests are harmed, this will have an inverse effect on the enterprise's production and development.

The purpose of socialist production demands even more that when an enterprise puts into practice the economic responsibility system, it must consider the interests of consumers. "Use the method of generating, on the basis of high degree of technology, the growth of continuous socialist production and its continuous perfection so that it will insure to the greatest degree possible the satisfaction of the material and cultural requirements for the regular growth of the entire society." What is the point of this statement of Stalin's? It is that, along with the continuous development of socialist production, the consumers (the broad masses of people) obtain more and more advantages, viz, they obtain more and more use value (commodity usefulness). There are two channels through which this is realized: First, in a situation in which commodity quality and prices remain unchanged, if a consumer's wage income increases, then, according to the amount of the increase, there will be a corresponding increase in use value. The second channel is when, in a situation in which wage income remains unchanged, the commodity price remains unchanged but quality is improved, or the quality remains unchanged but the price falls, or the quality is improved and additionally, the price falls. In this way, the use value that the same amount of income can buy will increase, which means a rise in real wages. In a socialist society, under normal circumstances, these two channels exist at the same time, and the overall price level either remains stable or drops a little. This is a tendency, and it is also an important foundation for the masses of consumers to obtain material benefits and for society to maintain its stability. But now, certain actions harm the interests of the broad masses of consumers so that while they increase their wages in the distribution link they lose out or partially lose out in the exchange link. This runs counter to the objective of socialist production.

Generally speaking, there are three ways by which an enterprise effects the "three increases" in benefits for the state, enterprise, and staff and workers: (1) raising the rate of labor productivity, lowering costs, and increasing production, thereby raising its total profit, and then distributing it rationally; (2) changing product structure by producing more products with high prices and big profits and producing fewer, or even not producing at all, products with low prices and tiny profits, so that pricing irrationality is exploited to the enterprise's advantage, and the result leads to "longline" products being overstocked and "shortline" products being out of stock; and (3) reducing the amount of a product or lowering its quality, thereby directly or covertly raising its price and thus raising the profit total. It is quite obvious that, with the exception of the first way, the source of the newly added profit is obtained by harming the interests of consumers.

It is not hard to see that the imperfections of the "three increases" will lead to the emergence of a situation in which "three sides are encircled but the net is left open on the fourth side." An enterprise can find a way out through the consumer side by not putting its energy into creating wealth for society but

accrue to the state, enterprise, and staff and workers will absolutely be impossible. Only by realizing the "four increases" can an enterprise work for improving economic results and increasing society's wealth.

In short, in putting the economic responsibility system into practice in industry and commerce, we should put the interests of the consumers on our agenda, and clearly put forward, on the basis of developing production, the realization of the "four increases," which benefit the state, the enterprise, the staff and workers, and the consumers.

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## FINANCE AND BANKING

### BRIEFS

NINGXIA SAVINGS DEPOSITS DOUBLE--According to statistics compiled by the regional branch of the People's Bank of China, the increase in savings deposits in our region from 1979 to 1981 was 1.4 times the increase in the 28 years between 1950 and 1978. By the end of May this year, the total savings deposits in cities and towns exceeded those at the end of last year by 20.9 million yuan and increased by 1.48 times over the same period last year. Developments in production since the Third Plenary Session of the 11th Party Central Committee have raised the people's standard of living, and savings deposits in cities and towns have increased by a wide margin. To facilitate savings by the people, all municipal and county branches in the region have increased the savings network outlets, with all of them adequately staffed. At present, there are 95 savings deposit centers or special counters for this purpose, in addition to 25 savings deposit agencies. [Text] [Yinchuan NINGXIA RIBAO in Chinese 28 Jun 82 p 1] 9411

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## INDUSTRY

### SHANGHAI INDUSTRIAL ENTERPRISES REORGANIZATION DESCRIBED

Beijing ZHONGGUO CAIMAO BAO in Chinese 15 Jul 82 p 1

[Article: "Shanghai Industrial Enterprises Oppose Arrogance and Eliminate Self-Complacency in the Course of Reorganization"]

[Text] In the course of an all-round reorganization of the enterprises, Shanghai Municipality has carried out a program of education in opposing arrogance and eliminating self-complacency, so as to help these enterprises overcome their blindness in action and to enhance their consciousness. This education has provided a strong impetus to the work of reorganization and has produced certain effects in improving economic results. In the first half of this year, the value of industrial output in the municipality exceeded that of the same period last year by 7.4 percent, with a net increase of 2.18 billion yuan, and the profits and taxes for the state increased by 7 percent, according to a comparison of comparable items with the same period last year. From January to May, 80 different key products were subjected to a quality appraisal, and 86.3 percent of them show steady improvement. The consumption of raw materials, power, and fuel in 70 of them was reduced by 78.6 percent.

Shanghai is one of the advanced areas of industrial production in our country. In the past several years, many products of other areas have surpassed those of Shanghai in quality, designs, and varieties. In view of this new situation, the Shanghai Municipal Party Committee has repeatedly stressed the need to oppose arrogance and eliminate self-complacency and to modestly learn from the experiences of other areas and from advanced foreign technology and management, so that through an all-round reorganization, the technology and management of industrial production in Shanghai can be raised to a higher level with improved economic results. However, there is still a certain blind complacency among the cadres of some enterprises. They feel that since the smashing of the "gang of four," the enterprises have been reorganized many times, and that with the increase in production and profits every year, they have already achieved the five "sufficiencies" (namely, sufficient equipment, sufficient work shifts, sufficient working space, sufficient tasks, and sufficient potential to be tapped). In their opinion, therefore, it would be "very difficult" to improve economic results any further. Some comrades even hold that since Shanghai has already produced many brandname products, with their economic and technical indices at the top rank not only in Shanghai but also all over the country, their economic results should be "good enough."

To overcome self-complacency, the leading departments at various levels in Shanghai Municipality carried out education in the following three fields:

First, study in order to understand the importance of enterprise reorganization. The cadres were organized to study the decision of the CCP Central Committee and the State Council concerning the all-round reorganization of state-run industry, in light of the present situation and the requirements of the four modernizations, so that everyone could see that, compared with previous reorganizations, the present one has four distinctive features: 1) The all-round reorganization is a treatment for the cause instead of the symptoms of a malady. 2) Comprehensive treatment does not mean making up whatever is lacking. 3) The reorganization has the characteristics of construction instead of recovery. 4) In view of the urgent need to improve economic results, it is necessary for them to learn scientific management, to do a great deal of basic work, and to take a new road. A better understanding of the situation among the enterprise cadres means an ideological foundation for the work of reorganization.

Second, uncover contradictions in order to understand the need for enterprise reorganization. The cadres were mobilized to conduct investigations in the basic conditions and the existing problems in the enterprises, and their discoveries were used as teaching materials in opposing arrogance and eliminating self-complacency and as the basis for working out reorganization plans. In the Shanghai No 18 Radio Plant, which manufactures "Feijue" radios, some cadres at first thought there could be nothing wrong with their economic results, since they had already done a great deal of work in reorganization in recent years and, as a result, their products were enjoying high prestige, their output last year was 5 times that of 1978, and instead of a loss, they realized a profit of more than 24 million yuan. After an in-depth investigation, however, they became soberly aware of five "concealments"--namely, concealment of the weak links in management by brisk sales, concealment of the problem of material waste by high profits, concealment of unsatisfactory product quality and inadequate maintenance service by the plant's high prestige, concealment of the backward technical equipment by high output, and concealment of low work efficiency and the lax workstyle among the cadres by the heavy production tasks. They decided to eliminate these five "concealments" in order to further improve their economic results.

Third, launch a "three comparisons" campaign in order to enhance consciousness. Many enterprises have compared their present performance with their own best performance in the past, with the best performance in their trades, and with international performance. The Bicycle Industry Company, for example, held a "three comparisons" exhibition in which the bicycles--whole bicycles as well as spare parts--of England, Japan, the United States, France, Hong Kong, Tianjin, Guangzhou, and Wushi were displayed. From these exhibits, everyone could, after comparison and analysis, see that although the famous brands of "Yongjiu" and "Fenghuang" bicycles held a high rank at home according to the economic and technical standards, they are, compared with the advanced foreign products, heavier by 1-2 kilograms, there are fewer varieties and specifications in meeting the demands of the international market, and they are of inferior quality, with poor workmanship, poor coating, and poor packaging. Even in comparison with home products in certain regions, [everyone] could still see certain backwardnesses in these brands according to many standards of quality. These comparisons showed the directions in which they should exert their efforts.

## INDUSTRY

### MINISTRIES, BUREAUS SET UP JOINT CONSULTATION SYSTEM

Beijing RENMIN RIBAO in Chinese 11 Jul 82 p 1

[Article: "Ministry of Machine Building Industry and Six Other Ministries Set Up Two-Level Joint Consultation System To Better Serve Customers and Improve Economic Results"]

[Text] From late May to late June, leaders of the Ministry of Machine Building Industry continually paid door-to-door visits to the departments that use their products in order to solicit their opinions with a view to improving the ministry's services. They also held talks with the leaders of the Ministry of Water Conservancy and Power, the Ministry of Textile Industry, the Ministry of Light Industry, the Ministry of Metallurgical Industry, the Ministry of Chemical Industry, and the Ministry of Coal Industry about setting up a two-level system for the solution of problems in cooperation and coordination with different departments. This system was hailed by State Councilor Bo Yibo [5631 0001 3134] as "an innovation following the restructuring of the state apparatus" and "an inevitable outcome of the relationship among various economic departments as well as a manifestation of the superiority of the socialist system." He hoped that "such close cooperation and mutual support will be kept up and will become a system to be popularized among other departments."

After the restructuring of the state apparatus, the party organization of the newly formed Ministry of Machine Building Industry laid great stress on the need to better serve customers and to improve social economic results as the guiding thought in running the machine building industry. Since late May, Minister Zhou Jiannan [0919 1696 0589], accompanied by Vice Ministers Yang Keng [2799 2651] and Zhao Mingshan [6392 2494 1472], Adviser Wang Ziyi [3769 1311 0309], Chief Engineer Tao Hengxian [7118 0077 0752], and the responsible comrades of the relevant departments and bureaus, visited the Ministry of Water Conservancy and Power, the Ministry of Textile Industry, the Ministry of Light Industry, the Ministry of Metallurgical Industry, the Ministry of Chemical Industry, and the Ministry of Coal Industry. They were warmly greeted by Ministers Qian Zhengying [6929 2973 5391], Hao Jianxiu [6787 1696 4433], Yang Bo [2799 3134], Li Dongye [2621 2639 6851] Qin Zhongda [4440 0022 6671], Gao Yangwen [7559 2254 2429], and other leading comrades.

During the discussions, the leaders of the Ministry of Machine Building Industry and the other six ministries exchanged information and opinions on problems of common interest and agreed in principle on some important issues. To expand the sphere of service for the machine building industry in order for it to better serve the textile industry and yet avoid overlapping production and blind development, the Ministry of Textile Industry and the Ministry of Machine Building Industry agreed that the production of textile machinery should be under the charge of the Ministry of Textile Industry. If the Ministry of Machine Building Industry were required to be responsible for textile machinery, the Ministry of Textile Industry would make a list of its requirements and the Ministry of Machine Building Industry would organize production accordingly. Such production should be included in the plans of both ministries. Agreement has also been reached between the Ministry of Metallurgical Industry and the Ministry of Machine Building Industry whereby the importation of key equipment from abroad for the metallurgical industry should in the future be accompanied by the importation of the technology for manufacturing such equipment. As an alternative, there should be cooperation with foreign merchants for its production so that the manufacturing capacity at home can be increased. In importing technology, both ministries should readily conduct discussions and, if necessary, take united action.

During these joint discussions, the participants also dealt with the problems of improving the quality and increasing the varieties of certain key products, the problems of some construction projects and technical transformation projects, the manufacture of heavy equipment in the country, the importation of technology, and other problems. Unanimous agreements were reached and plans were worked out individually.

The Ministry of Machine Building Industry and the other six ministries agreed to further strengthen their cooperation by holding discussions and setting up a system of periodic contacts. In dealing with specific problems, the departments and bureaus concerned should form regular direct contacts. If the problem cannot be resolved at the bureau level, the matter should be referred to the ministries concerned, whose leaders will find the solution through discussion.

9411

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## INDUSTRY

### QUESTIONS OF PRICING LIGHT INDUSTRIAL GOODS DISCUSSED

Shanghai SHEHUI KEXUE [SOCIAL SCIENCES] in Chinese No 7, 15 Jul 82 pp 33-34

[Article by Zhang Heshi [4545 0735 6524] and Zhang Wenying [1728 2429 5391]:  
"Several Questions Concerning Prices of Light Industrial Products"]

[Text] The basic stability of prices for industrial products is a matter of concern to all people, since 70 percent of light industrial output value is derived from the products supplied to the market and these products concern the clothing, food, living accommodation, travel and other necessities in the daily life of the broad masses. Therefore, the stabilization of light industrial product prices is of great significance in stabilizing the market and the people's living conditions and in implementing the policy of economic readjustment.

#### The Need for General Improvement and Utilization in Stabilizing Light Industrial Product Prices

Light industrial products are mainly processed from agricultural sideline products. Of all the raw materials used, 60 percent are agricultural and 40 percent are industrial. One special characteristic of light industrial products is that the raw materials used are more than the work involved. Raw materials account for 80 percent, or even 90 percent in some cases, of the makeup of production costs, and the prices of such products are mainly determined by the prices of the raw materials. The price increase for agricultural sideline products and industrial-mineral materials in the past 2 years has had a great impact on light industrial products. According to statistics, the production costs of light industrial products by the first and second light industry bureaus throughout the country were increased by as much as 1 billion yuan in 1981 as a result of increased prices for raw materials. Therefore, one of the important problems in stabilizing light industrial product prices is to offset the increased outlay caused by the increased prices of raw materials.

As shown by practical experiences in the past 2 years, we cannot rely on the light industry production departments alone, if we want to stabilize light industrial product prices. For example, in 1980 and 1981, the increased prices of agricultural sideline products and industrial-mineral raw materials caused an increase in production costs by more than 60 million yuan. The commercial, finance and tax departments then cooperated with one another in taking measures to tap potential on various components of prices.



First, to lower the production costs through efforts to reduce industrial consumption, to raise the utilization rate of raw materials and to increase the percentage of up-to-standard products. Last year, a timber company had to increase its production costs by 5.81 million yuan because of the increased price of timbers. After some efforts, they succeeded in raising the proportion of their first- and second-grade plierwood from 89 percent to 92 percent. At the same time, they carried out the comprehensive use of raw materials and reduced the per-unit consumption of linden plierwood from 3.15 cubic meters to 2.127 cubic meters. By this means, the company's profits in 1981 increased by 1.65 million yuan after offsetting the increased prices of raw materials.

Second, the offer to cut profit by commerce so that both industry and commerce will stand to gain. In 1981, the Shanghai Paper Mill had to incur a loss of 20.99 yuan on each ton of No 2 white 80-gram poster paper because of the increase in the prices of pulpwood, timber, resin and other raw materials. The paper wholesaler department of the Shanghai Cultural Supplies Procurement Station generously offered to transfer 33 yuan's profit to the industrial production department, and in so doing, help stabilize the selling price on the market and help industry avoid losses. Furthermore, the continued supply of goods enabled commerce to make a gross profit of more than 40,000 yuan.

Third, financial subsidy. Because of the increase in the price of pig iron, the production of sewing machine heads resulted in losses in 1980. Then in 1980 and 1981, the government granted a subsidy of nearly 10 million yuan to support the development of the sewing machine industry.

Fourth, lowering the tax rate and reducing the intermediate links. The price of timbers has been increased several times since 1979, and each time by a wide margin. This caused a continued increase in the production cost of matches and brought difficulties in production. The tax departments then rendered active assistance by reducing the commercial and industrial tax rate from 12 percent to 3 percent. At the same time, thanks to the cooperation of the relevant departments, the handling of transactions in matches was transferred from the sundry goods center to the municipal department store, thus reducing the number of links in commodity circulation and cutting circulation expenses. The retail price of matches was then stabilized.

The adoption of measures for general improvement and utilization has shown remarkable results. Besides stabilizing the market prices of light industrial products in Shanghai, these measures have also helped fulfill the task of fund accumulation.

The Need To Correctly Understand the Dialectical Relationship between Stabilizing and Adjusting Prices

Stabilizing prices is in line with the basic policy in our work of pricing, and must be resolutely accomplished.

First, commodity prices are mainly determined by the value. Price is the monetary expression of value. Commodity value is a form of motion, and constantly changes along with the change in labor productivity. Price, as a form of expressing value, should be appropriately adjusted. On the contrary, if prices are frozen for a long time at a level seriously inconsistent with the value, then they cannot become the form to express value. Such prices will be disadvantageous to both production and consumption. At present, some small commodities for daily use are out of stock on the market. One of the important reasons for their disappearance is that their prices are being frozen at a level below their value, and consequently, the consumption of labor by the production enterprises cannot be duly compensated. These enterprises have lost interest in their production and thus inconvenience is created for the masses in their daily life.

Secondly, money is the yardstick of value. If the value represented by money undergoes any change, commodity prices will also correspondingly change. Price reflects the ratio of exchange between commodity value and its monetary value. Commodity prices are on the one hand determined by commodity value and, on the other hand, by the value represented by the currency. If the issuance of currency is excessive to the scope permitted by commodity circulation, there will be currency depreciation with effects on the stability of prices.

Thirdly, changes in the supply of commodities can also affect the stability of prices. The balance between supply and demand is only temporary and relative, while the imbalance between them is absolute. To regulate supply and demand and to stabilize the market, the state should rationally use the law of value and bring about a balanced supply and demand by raising or lowering the prices. Increasing the prices of tobacco and liquor and lowering the prices of chemical fiber products, wrist watches, TV sets and so forth by the state were precisely intended as a measure to suit the changes in supply and demand. Of course, the use of planned prices and the system of rationing for certain important commodities or the people's daily necessities under the planned economy of a socialist state is to avoid price fluctuations even in the case of an imbalance between supply and demand. However, we must also be aware that the state spends huge amounts of price subsidies each year, and such subsidies are also a form of the expression of price changes.

Furthermore, as we can see now, the prices of many raw materials are too low, while the prices of some processed products are too high. Certain operating expenses of the enterprises, such as the depreciation rate of fixed assets, the interest rates of bank loans and so forth, have increased after the restructuring of economic management. All these will affect the production costs and the prices. At the present stage when the financial and economic situation in our country has not yet taken a fundamental turn to the better, stabilizing the market prices is of course the foremost requirement of our price policy. In the long run, however, we cannot rely on the freezing of prices as a long-term means of maintaining the stability of prices. We must adjust the prices in such a way that it will be consistent with the value before we can maintain a basic stability of prices in a certain period.

## The Need for a Correct Demarcation Between Pricing According to Quality and Increasing Prices in Disguise

Two important aspects in the effort to stabilize light industrial product prices is to set prices according to the quality of goods and to prevent the increase of prices in disguise.

Fine-quality products, generally speaking, require more socially necessary labor in the process of production. The prices of these products should be high in view of their fine quality. However, some products of inferior quality are sold also at high prices. This is a way to increase prices in disguise, and must be resolutely stopped. Only thus can we implement the principle that prices should correspond to the grades of goods, and maintain the basic stability of market prices.

In recent years, the prices of some products on the market have been actually increased in disguise. This has brought about many complaints and strong resentments from the consumers. However, some products are reasonably priced because of the quality differential, since they are of fine quality and require high production costs. For example, the peanut candies produced by the Shanghai Huashan Candy Factory is sold at 1.30 yuan per jin, if they are wrapped in wax paper; and at 1.90 yuan, or 0.60 yuan higher, if they are wrapped in transparent paper. The transparent paper is imported from abroad, and for packaging each jin with this paper, the production cost is increased by 0.50 yuan. Again, the new type of No 5 heavy duty battery cell costs 0.16 yuan each, or 0.02 yuan higher than the price of the ordinary No 5 battery, because its service life (180-190 minutes) is longer than that of the ordinary one (150 minutes), and its use value is higher. The consumers often indiscriminately regard this as an increase of price in disguise, because they have confused pricing according to quality with increasing price in disguise. This also led to the dissatisfaction of the production enterprises and dampened their enthusiasm in innovation. Therefore, one of the important problems to be solved in the guiding thought and in practice is to strictly and scientifically distinguish between pricing according to quality and increasing price in disguise. We believe that pricing according to quality can be actually practiced in the following ways:

1. A suitable quality differential can be included in the price when the innate quality and outward appearance of the product are better and can provide higher use value.
2. When new designs and varieties are markedly superior to the old ones, and the technology of production has been improved at higher production costs, suitable quality differentials can be worked out so as to maintain a rational price disparity between the new and the old varieties.
3. The products that have been recognized by the relevant departments as fine-quality brand-name products according to the economic and technological standards, can carry with them certain fine-quality and brand-name differentials which will raise their prices above those of ordinary products to a certain extent.

Increasing price in disguise has the following main features: 1) Unduly high prices for new varieties. The industry and commercial departments may have raised the prices to increase their profit rates excessively, when prices were set for new varieties. 2) Deteriorating quality. Even though the quality of products is below the standards set by the state or the relevant departments, and there is a marked reduction in their use value, the prices are still maintained at their original levels. 3) Price changes being inconsistent with the changes in production costs. If production costs are increased, it is reasonable that prices should be raised. However, the improvement of quality is less than the margin of price increase; or in the case of reduced production costs, the price is raised even though the quality is not improved.

From these instances, we can see that pricing according to quality and increasing prices in disguise have entirely different implications. A clear understanding of the difference between them will help us to correctly implement the policy of pricing according to quality, and to encourage the enterprises to improve the quality of their products, to increase the designs and varieties, and to continue the production of good products for the society. At the same time, it will help the industry and commercial departments in charge of commodity prices to understand the concrete expressions of increasing prices in disguise so that they will be able to adopt appropriate policies according to the circumstances to effectively prevent this practice and to ensure the basic stability of prices. This is advantageous to both the producers and the consumers.

#### The Need To Strengthen the Structure and the Management

Cooperation from the relevant departments is necessary in stabilizing the prices of light industrial products. To the light industry departments in charge of commodity prices, this is an unshirkable responsibility. There are now numerous jobs to be done by the light industry departments, but the arduous nature and the importance of pricing have not attracted the attention of the departments in charge and the leadership of enterprises extensively. As matters now stand, the light industry departments are faced with the urgent need to strengthen their price-control apparatus at various levels and to form a strong contingent of price-auditing cadres. They must train their price-control cadres in various forms as a preparation for adjusting the irrational prices. They must also strengthen their price control by conducting frequent price inspections and exercising frequent supervision. All these are the important measure for stabilizing the prices of light industrial products.

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## DOMESTIC TRADE

### MARKET PRICES, EFFECT ON EMPLOYEE WELL-BEING DISCUSSED

Beijing JIAGE LILUN YU SHIJIAN [THEORY AND PRACTICE OF PRICING] in Chinese  
No 4, 20 Jul 82 pp 1-7

[Article by Cheng Zhiping [2052 5268 1627]: "Market Prices and Employee Well-Being"]

[Text] The Market Price Situation

In the last 3 years, as a result of the implementation of a series of general and specific policies following the Third Session of the 11th Party Central Committee, production has expanded and supplies have improved. Between 1978 and 1981, nationwide gross agricultural and industrial output value increased by 21 percent from 570 billion yuan to 690 billion yuan, while the output of light industry increased by 45 percent from 180 billion to 260 billion yuan (constant 1970 prices). Per-capital funds available for the purchase of consumer items by urban and rural dwellers increased by 54 percent from 117 yuan to 180 yuan. Overall, our country has basically achieved its goal of stabilizing the economy, and the national economy has entered the broad path of steady development. This is a great achievement, which cannot be overpraised. The broad masses generally understand and are relatively satisfied with the gradual improvement of the economy, the increased stability of the political situation, the expansion of output and the increased supply of commodities. But many urban employees are considerably dissatisfied with the rising market prices and the insufficiency of their purchasing power. Accordingly there is a need to further propagandize and explain the situation in a comprehensive, thorough fashion.

In the last 3 years the prices of many consumer goods have indeed risen. This has not greatly affected the peasants, since increased procurement prices have resulted in an annual increase of more than 20 yuan per capita, and representative surveys indicate that their expenditures are up only 1 or 2 yuan a year. As a result, the peasants benefit from the increased prices and are rather pleased by them, but the size of the effect on urban employees depends primarily on changes in their cost of living index. According to the State Statistical Office, if the 1978 cost of living index is taken as 100, the 1979 figure is 101.9, the 1980 figure is 109.5 and the 1981 figure is 112.2, so that the increase between 1978 and 1981 was 12.2 percent: in general terms, a 10-yuan bill has come to have only slightly more than 8 yuan

of purchasing power. It should be noted that this index includes only about 450 major commodities and covers about 180 cities: it is very difficult to include all commodities and all locations.

The increase in prices over the past 3 years has included three components.

The first component is planned adjustment of commodity prices by the state in order to encourage expanded production and to increase commodity supplies. This price rise, which was necessary for economic readjustment, included eight categories of nonstaple food products and some products manufactured from them. In recent years the supply of nonstaple foodstuffs has increased considerably compared with the 10 chaotic years. Previously, some county seats and market centers lacked a sufficient supply even of youtiao [fried dough sticks], while now the supply of edible oils exceeds demand and there is not enough room to store it as a result of an increase in the agricultural products procurement prices. The state's planned adjustment of the prices of these commodities has encouraged their production and supply. Once this is explained the matter should be clear to everyone.

The second component is increases in negotiated prices and county fair prices. Some of these price rises have been unavoidable. For example, the hawthorn fruit is not a state-procured commodity and is in great demand, so that scarcity has led to an increase in price. In other cases the prices resulted from speculation and profiteering by middlemen: in some urban markets the middlemen account for half the trade, so that they must be regulated and controlled.

The third factor has been unauthorized raising of prices and the giving of short quantities or substitution of poorer-quality products by enterprises. This category includes: a. raising the grade classification of goods in order to increase their price, such as offering grade 3 apples as grade 2 or selling small fish at the rates for large fish; b. decreasing the supply of popular goods, for example, decreased numbers of medium- and low-quality leather shoes, with the most of the available shoes belonging in the top-quality category; c. short-changing the public, such as giving only about 9 liang instead of a jin of meat, or 49.5 jin of flour to a sack; d. lowering of quality, as in the case of steamed buns and jiaozi [filled dumplings], with the same exterior but poorer-quality filling. In addition, there are cases of unauthorized charging of fees, such as miscellaneous fees in high schools, water and electricity charges and the like. These practices are illegal and irrational, are at variance with the production aims of socialism, and are not in accordance with the socialist nature of enterprises. All forces must be mobilized to rectify production management practices and strengthen price oversight so as to rectify the situation.

The contributions of the various factors to the overall rise in prices in many localities in the last 3 years has been as follows: the first component, namely state price adjustments, accounts for about two-thirds; the second component, increases in negotiated prices and country fair prices, has accounted for about one-third; and the third component, has varied from locality and to locality is difficult to quantify.

Price management consists primarily of correctly implementing state-specified prices, of suitably holding down negotiated and country fair prices, and especially of energetically checking unauthorized prices increases and unauthorized charging of fees. The party and government organizations of various localities, together with the masses, have made major efforts in this area. For example, this New Year's Day and Spring Festival, Lianoning Province inspected 490,000 units' prices and the prices of 5.44 million commodities and found that 110,000 prices were not in order; they dealt with 2,300 units and 1,300 individuals, confiscated 1.17 million yuan and charged 270,000 yuan in fines. Where it was possible, funds were refunded directly to the consumers. This was done, for example, by the Qingnian Street Store in Anshan. But some localities and units are still not adequately carrying out this type of price inspection; leadership should be intensified and reliance placed on the masses in order to do the work better.

Some people say that all prices are going up. A little analysis makes it clear that this is not entirely true. For example, the prices of many necessities are stable or nearly stable, and the prices of some commodities, e.g. certain durables, have decreased. Of course, the prices of certain commodities have gone up considerably, including the following three categories.

First, nonstaple foodstuff prices have risen considerably: there was a rise of 19 percent from 1979 to 1980 and an additional rise of 4.1 percent in 1981, i.e. a total increase of more than 20 percent; second, negotiated prices have risen considerably, by 40 percent between 1978 and 1981, making this the category with the largest prices increases; third, country fair prices have gone up considerably, first going down by 5 percent from 1978 to 1979, then rising by 2 percent in 1980, and rising by 11.6 percent from the 1980 level by the end of 1981.

The reasons for the increases in prices of nonstaple foodstuffs, negotiated price commodities and country fair commodities must be understood in relation to the entire national economy. In the past few years the national economy has been undergoing a readjustment, but economic conditions have not fundamentally improved, more money has been in circulation in markets, and the law of supply and demand had led to increased prices; in addition, there were many long-standing irrational prices, and in order to expand production the procurement prices of many agricultural products have had to be raised, in addition to which some prices have risen spontaneously during reform of the economic system because regulation could not keep up with them.

#### Agricultural Production and Increased Procurement Prices for Agricultural Products

To make clear the primary reason for the increase in the prices of certain products, we must approach them in terms of the entire national economy and especially in terms of agricultural output and procurement prices for agricultural products.



Because of long-standing influence of "leftist" errors, before the Third Session of the Tenth Central Committee this country's agricultural output was expanding rather slowly. Between 1951 and 1976 our country's foodstuffs output had showed only a small increase, while total nationwide cotton output had for a long time been fluctuating in the vicinity of 30 to 40 million dan, and per-capita output of edible oils had fallen from 5.9 jin in 1955 to 3.9 jin in 1979. The increase in peasant income had been very small, there had been very little improvement in the peasants' condition of life, and since the 1970's distribution income in the agricultural collective economy had been stagnant at about 60-plus yuan a year. Agriculture is the foundation of the national economy, and the rural population accounts for 80 percent of the entire national population, while agricultural products and commodities processed from them account for about 70 percent of the total supply of consumer goods. Agricultural output had expanded slowly and the peasants had been hard-pressed for a long time, which was very harmful to this country's political stability and economic development, creating an extremely grave problem. By 1976, at the end of the 10 catastrophic years, our national economy was on the verge of collapse.

Since the Third Session of the 11th Central Committee, as a result of a series of correct general and specific policies and measures adopted by the party and state our entire national economy has made a turnaround, and in particular the countryside has begun to flourish.

Here are the figures for the main agricultural products.

	1978	1981	Increase
Grain	609.5 billion jin	650.0 billion jin	6.6%
Cotton	43.34 million dan	59.36 million dan	37%
Oils	10.4 billion jin	20.41 billion jin	96%
Meat	17.1 billion jin	25.2 billion jin	47%

The situation as regards procurement of the main agricultural products is as follows. From 1978 to 1981 grain procurement increased 23 percent, cotton procurement 34 percent, edible oil procurement 118 percent, and pork procurement 15 percent. Output and procurement of other agricultural and sideline products also increased considerably.

As regards mass consumption levels, between 1978 and 1981 grain consumption increased by 12 percent to a per-capita average of over 400 jin (including grain rations, food grain and nonstaple grain foodstuffs). In the past there were only a few years when the average reached this level; it generally amounted to 300-plus jin. Consumption of flour and rice also increased. In 1981 the per-capita monthly corn meal consumption in Shenyang was only about 3 jin; between 1978 and 1981 the national average consumption of edible oils increased by 87 percent, meat consumption increased by 47 percent, and cloth consumption (including synthetics) increased by 29 percent. In 1981



total retail sales of social commodities in Beijing amounted to 6.6 billion yuan, up 2.4 billion yuan or 54.6 percent from 1978, an average increase of 15.7 percent annually. Last year consumption of meat, eggs, cigarettes and alcoholic beverages in Liaoning was up 1.7 times from 1965 and consumption of synthetic fibers, woollens and leather shoes had increased 2 times from the 1965 level.

Production is the foundation of economic life; and when output increases the markets flourish and supplies improve, which is apparent to everyone. The data presented above make it clear that since the Third Central Committee Session the growth in output and in the supplies of the main commodities have been unprecedented at any time in our history.

There are three main reasons for the good agricultural output in the past 3 years and the increased supply of market commodities:

1. The most important reason is implementation of policy, institution of the economic responsibility system and mobilization of the masses' production enthusiasm.
2. The burden of the peasants has decreased. Grain requisitions have been decreased from 25 percent to about 20 percent of total output; not counting grain resold to the localities, the net levy is less than 20 percent of output.
3. Procurement prices for agricultural products have been increased. Since the Third Central Committee Session there has been an increase of 38 percent in 3 years, equivalent to the increase in the 16 years from 1957 to 1973. As a result of increased output and higher prices, the peasants' income has increased rather rapidly. The total income of the individual peasant increased by more than 80 yuan between 1978 and 1981. Increasing procurement prices is the easiest policy measure to implement and the one which shows the fastest results. The rather large increases in procurement prices for agricultural products took account of the peasants' rightful interests, helped to mobilize their enthusiasm, stimulated increased grain production and development of a diversified economy, and produced excellent results in overcoming long-standing agricultural stagnation. The Third Central Committee Session's major policy decision to increase procurement prices was necessary, timely and correct, both politically and economically, and for both the countryside and the cities.

Let us compare the party's policy since the Third Central Committee Session, including its price policy, with rural policy under the leadership of the "left" errors. Which was correct? Obviously the line followed since the Third Central Committee Session has helped expand output, has increased supplies, and has improved living conditions; it is an approach which has enabled the people in the countryside to enjoy increased material benefits and which allows the national economy to develop and prosper.

The Effect of Increased Agricultural Product Prices in Various Areas

The increased procurement prices for agricultural products are beneficial to agricultural production and to the peasants' condition of life, but where does the money for them come from? There are three sources.

1. More than 60 percent of the increase in procurement prices for agricultural products is accounted for by grain, cotton and oil prices; this money is provided by direct subsidies from the state financial organs.

State grain and oil subsidies have gradually increased, rising by 34 percent from 1979 to 1980 and by 23 percent from 1980 to 1981; the total amount of money paid out for grain subsidies between 1979 and 1981 was more than 30 billion yuan. The state pays nearly 0.10 yuan in subsidies per jin of grain supplied and about 0.8 yuan in subsidies per jin of edible oils supplied.

2. The increase in procurement prices for such nonstaple food products as meat, poultry and eggs accounts for more than 20 percent of the money paid out for increased agricultural products procurement prices; this money comes from increased retail prices for eight categories of nonstaple foodstuffs and manufactured products made from them, for which relief is provided by nonstaple foodstuff subsidies paid to employees.

3. About 10 percent of the expenditure on increased agricultural products procurement prices is borne by industry or relieved by tax cuts, in addition to which part of it is relieved by increasing retail prices, as in the case of cigarettes, bamboo, wood and leather products and the like.

From the facts presented it is apparent that the state increased procurement prices in order to promote agricultural production, and that in order to protect the welfare of employees, a large proportion of the increased expenditure on these products comes from state subsidies and not from increased retail prices. The state subsidies paid out for the purpose are greater than in any previous period. Less than 30 percent of the funds paid for increased procurement prices was passed along as increased retail prices; in addition, every employee has been paid a nonstaple foodstuff subsidy. Overall, the state acted to increase output, but acted on the principle of taking account of the interests of both urban and rural dwellers, of both workers and peasants.

The price subsidies which the state pays for such basic necessities as grain and oils will continue, because while it is irrational and a heavy burden on the state if prices are locally lower than value, in overall terms subsidies for these commodities are the price paid for essential stability of market prices, for overall stability and unity, and for the time needed to carry out economic readjustment and reform of the system, which are all extremely necessary. The Central Committee's leadership has said, "In terms of ultimate economic results, the current methods are irrational in minor aspects but are in accordance with economic laws in their major aspects." In September 1980, Premier Zhao Ziyang said, "Subsidies will continue to be paid for all major commodities which are important to the people's welfare; we will not cause economic hardship to the masses or let real living standards fall, and the nonstaple foodstuffs coupon system will not be canceled. This will assure

that the necessities of life will be available to the low-income masses." The Communist Party and the People's Government act in the people's interest in all matters and plan for production, construction and the people's welfare; it in some future year the price system is reformed, they will certainly be able to take the necessary steps to assure the people's welfare. The People's Government is for the people, and we must have faith in it.

Of course, even if sale prices are increased by only 30 percent of the increase in agricultural products procurement prices, there will still be some effect on employees, and this, added to the increase in negotiated prices and country fair prices, does indeed increase the economic burden on the masses and does have a certain effect on the welfare of employees and on real expenditures; to ignore this or to refuse to admit it is to fail to take a realistic attitude. But when we consider the effect on employee welfare produced by price increases, we must also be aware of the fact that in recent years the income of employees and urban dwellers has increased rather rapidly. State Statistical Office figures for 46 large and medium-sized cities indicate that in the last 3 years such measures as increased wages, job placement and the bonus system have increased the per-capita monthly income of urban dwellers from 26.33 yuan in 1978 to 38.64 yuan in 1981, a rise of 46.8 percent; if we deduct the amount accounted for by the increase in the cost of living, the actual increase in income is 31.3 percent. Of course, this applies to the majority of employees, but because of discrepancies in promotions, bonuses and welfare benefits from organization to organization, some workers may have a smaller wage income and a heavier burden, employment among their family members may not have increased, they may not have been promoted, or they may be in jobs which pay small bonuses or no bonuses, so that they are considerably affected by increases in prices, their standard of living has not been raised, or in some cases the real standard of living may actually have decreased. This is mainly true of some office workers, culture, education and public health workers, and cadres in the scientific and technical system, especially those aged about 40, whose conditions may be somewhat worse than average. Office workers, culture, education and public health workers and similar cadres and employees account for about 15 percent of employees; about 30 percent of these, or about 4.5 percent of all employees, have had a wage increase in the last 3 years. According to representative surveys, retired employees account for about 3 percent of employee families, and those on sick leave account for about 2 percent, so that overall, only a minority of urban employees have had no improvement or a decline in their condition of life in the past few years, while the majority have experienced an improvement. Of course, the situation varies from locality to locality and from organization to organization. At the Fourth Session of the Fifth National People's Congress, Minister of Finance Comrade Wang Bingqian said that the state is preparing to gradually solve the problems of wage adjustment for employees in such areas as state offices, science, education and public health who do not come under the bonus system.

In the past 3 years there have been several fluctuations in commodity price which have had considerable effects on employee welfare.

The first of these occurred in November 1979, when the prices of eight categories of nonstaple foodstuffs and some products manufactured from them were raised. Some comrades are still displeased at this increase in prices. In reality, it was impossible to increase the procurement price for nonstaple foodstuffs without increasing retail prices. Procurement prices had long been too low, which was harmful to production and consumption and to both peasants and workers. In April 1979 the State increased the procurement prices for such commodities as live hogs and eggs, but it did not alter retail prices for half a year. Experience showed that proceeding in this way harmed production: difficulties in selling pigs occurred everywhere, the commercial departments were unwilling to manage the procurement, market supplies did not increase, the burden on the state financial organs grew heavier, and speculation and profiteering were rampant. In Beijing, for example, if a jin of eggs were procured for 1 yuan and in addition a jin of grain were supplied at a price 0.08 yuan below the value, this would be equivalent to buying it for 1.08 yuan; if the eggs were sold for 0.90 yuan, profiteering on a jin of eggs would yield a profit of 0.18 yuan, and if 20 jin of eggs were sold in this manner during the year the profit would be 3.6 yuan. This problem was difficult to control by administrative methods.

The method of increasing retail prices and paying employees a nonstaple foodstuff subsidy was studied for 2 years and discussed for half a year, and the State Council held a good many meetings before deciding to use it. The advantages and disadvantages of this approach were considered in terms of the overall situation. With regard to the effect on employee welfare, calculations made with current data indicated that if the retail price of nonstaple foodstuffs was increased, the monthly expenditure per employee would be increased by more than 4 yuan, and the state could pay a subsidy of 5 yuan. Statistics compiled by the State Statistical Office for the two months following the price adjustment indicated that the additional employee expenditure was 720 million and the state subsidy was 870 million yuan. Thus in the initial period of the price adjustment most employees had no complaints. The increases in the prices of vegetables and negotiated-price items in 1980 and 1981 affected employee living conditions and resulted in some discussion. The approach taken to resolving the problem was to make an effort to stabilize vegetable prices and control negotiated prices. For example, the list price for hawthorn fruit in Beijing was 0.17 yuan per jin in 1978, but the negotiated price rose to 0.70-0.80 yuan per jin, which was obviously too high. When management was instituted the price fell to 0.47 yuan, which appears to have still been slightly too high, but it would have been very difficult to bring it back to 0.17 yuan, so that a price somewhat lower than 0.47 yuan would probably have been reasonable.

The second price change was a drop in the price of polyester-cotton cloth coupled with an increase in the price of cigarettes and alcoholic beverages in November 1981. This measure involved a price drop that was greater than the price increase in both the countryside and county towns. In medium-sized and large cities the increase in price exceeded the drop. The increase in the price of alcoholic beverages and cigarettes increased the expenditures of some employees and affected certain low-income employee families who smoked cigarettes and drank alcoholic beverages. Overall, the Central Committee's

policy was correct, for if only the price of polyester-cotton cloth had been decreased without increasing the price of cigarettes and alcoholic beverages, less currency would have been taken out of circulation in the market. If the price of cigarettes and alcoholic beverages had not been raised, the prices of negotiated-price goods and county-fair markets not directly under state control and the prices of small commodities might have increased still further. In order to remove money from circulation and stabilize the economy and commodity prices, an adjustment in which some prices rise and others fall is necessary. This approach affects the conditions of life of some workers who smoke and drink, but in terms of the overall strategic disposition of the economy and the long-term interests of the people as a whole it is still a necessity.

The cost of vegetables is another matter which has had a major effect on the conditions of life of employees. In Beijing as procurement prices for agricultural products rose, vegetable prices rose accordingly; the mixed average price of vegetables increased from 4.05 fen [0.0405 yuan] in 1978 to 5.33 fen [0.0533 yuan] in 1981, i.e., by 39 percent. The income of vegetable farms had increased and their condition of life had improved, but not as much as those in industry and sideline trades: the daily income in these sectors had increased by 2 yuan and that in vegetable farms by something more than 1 yuan. Thus it was necessary to raise vegetable prices somewhat. In 1979 the state paid 12.95 million yuan in subsidies to vegetable-growing organizations, while in 1981 the subsidies had increased to more than 43 million yuan. Since 5 million persons were eating the vegetables, this was equivalent to a subsidy of 8 yuan per person per year. For the consumers, expenditures on vegetables increased. But in these 3 years the state-controlled standard prices for major vegetables did not increase. For example, the 31 March list price for greens was 0.18 yuan per jin in 1978, and 0.18 yuan per jin in 1981; the 1 April list price was 0.17 yuan per jin in 1978 and 0.17 yuan per jin in 1981; the list price for the end of April was 0.03 yuan per jin in 1978 and 0.03 yuan per jin in 1981. Why, then, did consumer expenditure increase? One reason was that during this period large-scale greenhouse vegetable growing had developed rapidly, expanding from 84 mu in 1978 to 20,000 mu in 1981. The vegetables came to market earlier and their prices were higher. Second, quantities of fruiting vegetables and minor vegetables increased, quantities of garlic sprouts and fresh kidney beans increased, and quantities of bok choy and rape decreased, with the result that consumer expenditures increased. Third, vegetable-growing organizations sold smaller quantities of bulk vegetables, so that there were not many cheap vegetables, as a result of which the masses spend more money. These problems require further study and overall planning to solve them properly.

Handling vegetable production and supply effectively so that quantities are large and prices are stable is extremely complex, involving nature, land and man, embracing agriculture, industry and commerce, and requiring efforts in regard to production allocation, income distribution, commercial acceptance standards, price control. It also depends on weather. The relevant departments of the State Council meet every year and publish many documents, but they still need to make further efforts to make a success of vegetable production, which requires constant attention from everyone.

In addition, many people are concerned about furniture prices. In the past wood was cheap, but in the last 3 years roundwood prices have increased by 44 percent and sawed lumber prices by more than 50 percent, in addition to which tree farming costs have risen; this is a major matter which affects future generations and the ecological balance; is beneficial to afforestation and is much needed. But when the price of wood goes up the price of furniture must also rise. The price of furniture affects every household. In Beijing, 95 furniture items went up an average of 20 percent in price; the profit is set at 8 percent, so that once pensions are paid the actual profit is very small. In an entire year, only 80,000 cubic meters of wood was used for furniture in Beijing, sufficient for 1.75 million pieces, which was an inadequate supply. As a result, the Trade Warehouse, the Zhiqing Store and the Riza Store carried on price negotiations which enabled them to make up the market shortage, so that now double beds and small wardrobes are not so scarce.

To summarize, in considering the price problems of the past few years we must not look only at the partial situation, but must take account of the overall situation; we must not consider only the present, but must think of the long term; we must consider, analyze and understand in terms of both production and sales, in terms of both industrial and agricultural interests, and in terms of state, collective and individual interests. Of course, there are still many shortcomings in pricing work, and the price management departments are not making a sufficient subjective effort: they must rapidly rectify the situation.

#### General Policy on Market Prices

Maintaining market prices basically stable is a policy to which the state adheres consistently and strongly; but since the degree of modernization of our national economy is still slight, the standard of living of urban and rural dwellers is still rather low, the time required to adjust wage discrepancies will be rather long and the people's ability to bear changes in market prices is limited, it is extremely necessary to maintain market prices essentially stable. When our country plans its economy, it strictly maintains an essential balance between finance, loans, social commodities and purchasing power; state-controlled prices account for more than 80 percent of total retail sales, and the advantage of the socialist system enable us to maintain market prices essentially stable.

Stabilizing prices does not mean fixing all prices. Prices are economic levers, and if they are made fixed and immovable they cannot function as levers, which is harmful to economic development. In December 1980 and January 1981 the State Council issued two directives which specified only that retail prices could not be raised, but internal prices, including FOB prices and allotment prices for certain commodities which did not affect retail prices could still be suitably changed, with approval and in keeping with duly constituted powers. The prices of small agricultural implements, semimechanized agricultural implements, and minor crude and finished drugs could be adjusted upwards or downwards. For a rather long period in the future we must adhere to the policy of essential stability of market prices,



the main implication of which is that the overall index must move only slightly and the prices for basic living necessities must be maintained stable. Because prices fluctuate and inevitably affect construction, Marx said, "Abrupt price fluctuations may lead to interruptions, major collapses and even catastrophe in the reproduction process" ("Capital," Vol 3, p 135). Increased commodity prices may also affect wages, because wages must be in agreement with the value of labor. In this country, although labor is not a commodity, it still has value. The value of labor, according to Marx, "is determined by the value of the means of production or the amount of labor needed to produce these means of production" (Collected Works of Marx and Engels," Vol 2, p 192). Accordingly, maintaining commodity prices essentially stable is a necessity for both the state and the people, and planning which takes account of production, circulation, distribution and consumption is beneficial and is an essential condition for stabilizing the political situation and for carrying out the four modernizations.

Maintaining market prices essentially stable requires that the prices of both industrial and agricultural products remain stable; the key is stabilizing the prices of agricultural products. This year, CCP Central Committee Document No 1 clearly proclaimed the general policy that hereafter, for a certain period, procurement prices for agricultural products must be kept essentially stable. Essential stability of agricultural prices is a necessity not only for the stabilization of market prices but also for expanding industrial and agricultural production, stabilizing the economy and consolidating the worker-peasant alliance, and accordingly it must be persistently implemented.

Stabilization of prices must rely primarily on economic measures and must help to expand output, increase economic efficiency, and maintain an essential balance between finance, loans, commodities and purchasing power. But the national economy is still undergoing readjustment, finances are still in difficulty, some of the budget is still in the red, and the money supply still exceeds actual needs, so that while energetically pursuing economic measures we must also make some use of ancillary administrative measures. In the past 3 years there have been two proclamations that retail prices should not be raised; these were necessary administrative measures. In the future, in addition to energetically pursuing economic measures, we must engage in some administrative intervention. The experience of many localities indicates that we must make an effort in four main areas. First, we must intensify leadership and strengthen political and ideological education. When industrial and commercial enterprises use the economic responsibility system they must place ideology first, strengthen the three main viewpoints and adhere to the four basic principles. They must struggle persistently, concern themselves with the country's difficulties, and endeavor to make a success of spiritual-cultural and material-cultural construction. Second, there is a need for strict discipline, and implementation of regulations on rewards and penalties, with bonuses to be linked to implementation of price policy. Third, we must intensify the relevant departments' cooperation and joint effort so that they jointly shoulder the tasks of price stabilization and deal with them in comprehensive fashion. Fourth, we must rely on the masses, strengthen oversight, give price inspections a mass character, and make them constant and systematic.

In order to implement the economic and political measures for stabilization of prices, leadership at all levels and all cadres must have unity of views and must be united in the spirit of Comrade Chen Yun's Spring Festival address, must correctly arrange the relationship between adjustment by plan and market adjustment, the relationship between living facilities and capital construction, the relationship between the whole and the parts, and the relationship between the present and the long run, in addition to which they must implement all planned work and overcome particularism, centrifugal tendencies and leanings toward liberalization. This is not only necessary for maintaining essential price stability but also is the key to success in all economic work.

In the past we did not do enough economic propaganda and price propaganda work. In the future we must conduct mass propaganda in realistic terms; and we must admit the nature of some commodity of price increases and clearly explain the reasons for them. We must mobilize all parties for strengthened management and put a stop to unauthorized price increases, unauthorized collection of fees, substitution of lower-quality commodities and the like. We must persistently and unwaveringly implement the policy of maintaining market prices essentially stable. As Comrade Mao Zedong said, "Political work is the lifeline of all economic work." Only by means of effective political and ideological work will we be able to mobilize the masses for united, persistent work and make a success of the four modernizations in every area of endeavor.

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## FOREIGN TRADE

### FOREIGN CAPITAL USED IN DEVELOPMENT OF ANIMAL HUSBANDRY

Guangzhou GUANGZHOU RIBAO in Chinese 15 Jul 82 p 4

[Article by Liang Zhao [2733 6856] and Zhao Renhai [6392 0117 3189]: "A New Way To Develop Animal Husbandry With Foreign Capital--Investigative Report on Guanghua Overseas Chinese Animal Farm in Shenzhen"]

[Text] Since the Third Plenary Session of the 11th Party Central Committee, the Guanghua Overseas Chinese Animal Farm in Shenzhen has attached great importance to the meaning of being "special" and has taken full advantage of its own strong points. Through the active and careful use of foreign capital, it has imported advanced technology and equipment for production and fine animal breeds. It has carried out all-round development with animal husbandry as its main occupation, and in less than 3 years it has succeeded in turning losses--sustained since its inception in 1958--into profits. Its total output value in 1981 amounted to 17.54 million yuan, being 3 and 10 times that in 1977 and 1965, respectively, and its output value per worker and staff member was 3,135 yuan, 3 and 6.2 times the respective figures for 1977 and 1965. Its output of milk was more than 5,200 tons, 4 times that of 1978; and its exports of fresh milk amounted to more than 60 percent of all the fresh milk in the Hong Kong market. In 1981, after regularly redeeming its loans and paying interest to foreign creditors, this farm received HK\$11.12 million for the state and realized a profit of 312,000 yuan. Now it has initially completed a modern base for animal husbandry and the export of animal products, in addition to setting up an enterprise undertaking the processing of animal products. Thus it has blazed a new trail for the development of animal husbandry.

From 1979 to 1981, the Guanghua Overseas Chinese Animal Farm brought in foreign funds totaling U.S.\$8.67 million in the form of compensatory trade, cooperative production, and joint ventures. These funds were used mainly to develop four projects: First, it built a dairy farm in the form of compensatory trade. It imported from New Zealand 1,238 milk cows and a set of fishbone-type milking machinery capable of milking 24 cows automatically and simultaneously. This machinery is of an advanced world level, and is the first set of its kind ever used in China. It also imported bucket-type milking apparatuses and a complete set of automatic milk-processing equipment capable of performing all functions from pasturizing and bottling to packaging, all behind a sealed-off system. Second, it set up a modern duck farm jointly with

a foreign merchant in the form of cooperative production. This farm is capable of producing meat from 720,000 ducks each year. It imported a set of incubation equipment of advanced world standard; this equipment can automatically regulate the temperature and humidity and turn over the eggs. In this way, 70,000 ducklings can be hatched in 28 days. It has also imported a number of fine-breed "Digao" ducks which can grow to more than 6 jin in 56 days. Third, in the form of joint venture with foreign merchants, it has built a large modern pig farm together with a complete set of modern pigpen equipment of the sealed-off type--the first of its kind in China--which can automatically regulate temperature and humidity. It also imported fine-breed "Shige" pigs which eat little, can be easily fed, grow up quickly, and provide a lot of lean meat. These pigs have already given birth to fine-breed piglets, and it is anticipated that in the second half of the year, these piglets will be ready for market and export. Fourth, in cooperation with foreign merchants, it has set up a modern meat-processing plant capable of processing meat from 600 pigs daily. The farm will be able to show remarkable economic results in a short time. Its main experiences are as follows:

First, in using foreign funds to import projects, it had to be sure that these projects were suitable for the natural and economic conditions of its own area and for meeting the needs of the international market. The foreign merchants' sales channels had to be properly utilized. These are the important conditions for importing projects properly and without risk, for fully bringing out our strong points, and for striving for the best economic results. In selecting projects to be imported with foreign funds, the farm paid particular attention to the actual situation inside and outside the farm and the country. It also noted that for several years there had been a keen demand in Hong Kong for fresh animal products, on the one hand, and that on the other hand Hong Kong's own production and China's exports to Hong Kong were far from adequate for the demand. Therefore, it has vigorously developed animal husbandry and the milk and food processing industry, with particular attention to milk and lean pork.

Second, it combined the lofty aspiration of contributing to the four modernizations with the spirit of striving for perfection. The cadres and workers in the farm had warm political enthusiasm as well as a practical scientific approach. In importing advanced technology with foreign funds for developing animal husbandry, it paid great attention to management to ensure high output and fine quality.

In the course of its operations, the farm has attached great importance to the technical skills of the cadres and workers as a means of promoting production and improving product quality. To increase their skills, the measures adopted were mainly as follows: First, it formed a scientific and technological contingent and gave full play to the role of the scientific and technical personnel in production. By the end of 1981, there were on the farm a total of 147 scientific and technological personnel, or 2.7 percent of the entire personnel. Among these scientific and technological personnel, 64 of them were specialists in animal husbandry. Two deputy farm directors were a veterinarian and an agronomist, respectively. Secondly, it made great efforts to raise the technical level of the cadres and workers in production. Regular

training classes were held, and all persons responsible for breeding, feeding, and milking had to undergo rotational training in technology so that the workers all had some scientific knowledge of animal growth, feeding, milking, and the processing of animal products, and had to strictly follow scientific rules and regulations. Thus, full play was given to the advanced technical equipment and the fine breeds of animals in promoting production and ensuring fine quality. In 1981, the conception rate of milk cows in the farm was more than 93 percent--above the average advanced level in the country. Thirdly, it made great efforts to improve the quality of products, with particular attention to the main items. The world market makes very strict demands on the hygienic condition of food made from animal products. If the products fail to meet the required standards, not only can the value of commodity not be realized, but bankruptcy may result. Therefore, the farm had to be very careful about hygienic conditions at every link--from the working environment, the water sources, the feeding, milking, all the way to the processing, bottling, and transportation. Every link was carefully attended to so that the fresh milk and the milk and meat products could meet international standards and even contain less bacteria than permitted under international regulations. Thus its products won high prestige in Hong Kong, and a foundation was laid for brisk sales.

The farm also tried hard to master the skill of business management by applying the laws of supply and demand in the international market, so that its products can be adapted to changes in the world market. The seasonal demand for fresh milk in Hong Kong is very keen, sales in summer are double those of any other season, and the price is 25 percent higher. Therefore, suitable measures were taken to gradually change the milk cows' breeding period so that summer would become the peak period for milk production. This method would yield an increased income of HK\$720,000.

Third, there was an all-round development, with animal husbandry as the key link. After changing their business policies several times and meeting with setbacks, the farm was convinced that in its operations, it would have to take animal husbandry as the key link and use it to promote agriculture so that there would be an all-round development. Only thus could they make full use of their land by adapting measures to local conditions. Following its change of business policy in 1979, production quickly developed with marked improvement in economic results, and by 1981 it made a profit for the first time in many years. The vigorous development in animal husbandry brought with it huge quantities of organic fertilizer which helped improve the soil and was of great advantage to planting.

The farm also formed a special feeding team and allotted some farmland especially for growing fodder to serve animal husbandry. In 1981, juicy fodder for milk cows was seven-tenths self-sufficient. This was a high record even for the dairy farms in the suburbs of large and medium-size cities, and was a great help to the promotion of production.

Fourth, enforcement of the system of responsibility for production and resolving the contradictions between agriculture, herding, and industry helped to enliven the economy. Labor intensity in planting, herding, and industrial

sideline occupations varies a great deal, but for many years, people were affected by egalitarianism; in other words, working more or working less made no difference. The planting workers were unhappy about it, and the contradictions between different trades became acute. To solve this problem, the farm set up different systems of responsibility for production and resolved the contradictions between farming, herding, and industry with material benefits. Since planting called for higher labor intensity, people engaged in planting were paid no less, or even a little higher than the others. This method helped to arouse the enthusiasm of the planting workers, reduce losses, lower product costs, and speed up the development of production.

These experiences should be useful to the suburbs of large and medium-size cities, particularly those of Guangzhou close to Hong Kong and Macao, and to other cities having economic cooperation with foreign countries. In developing animal husbandry, running state farms efficiently, improving the supply of nonstaple foodstuffs to the cities, and meeting the people's daily needs, they should be used for reference.

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## FOREIGN TRADE

### INITIAL SUCCESS OF SHEKOU INDUSTRIAL AREA REPORTED

Guangzhou NANFANG RIBAO in Chinese 8 Jul 82 p 2

[Article by Huang Zhenchao [7806 6297 6389]: "Initial Success of Shekou Industrial Area in 3 Years Since Inauguration"]

[Text] After 3 years of arduous pioneering work since July 1979, the Shekou Industrial Area, run by the China Merchants Steam Navigation, now consists of more than 100 tall buildings. It is already a burgeoning industrial city in a modern port.

In 2 years, the builders of this city accomplished the task of "five accessibilities and one leveling"--meaning accessibility by vehicles, accessibility to water supply, accessibility to electric power supply, accessibility by boats, accessibility by telecommunications, and leveling the ground--on a deserted area. This was followed quickly by a large-scale construction program. Nearly 100,000 square meters of floorspace were completed by the end of last year, and work on more than 200,000 square meters was started this year. One half of this work has been completed or nearly completed. The building of a plant, from the signing of contracts to capital construction, installation of equipment and its full operation, generally has taken less than 2 years.

In line with the special policies and flexible measures, the Shekou Industrial Area attaches great importance to the absorption of foreign capital mainly for industrial construction. By now it has signed contracts for 36 projects, and foreign capital is being used in 32 of them. Among those which are in regular or trial operation are: The Sino-Swiss Machinery Plant, the Zhonghong Oxygen Plant, the Haihong Lacquer Plant, the Jianghui Yacht Plant, the Guangfu Synthetic Materials Plant, the Haiyun Container Plant, the Kaida Toy Plant, and the quarry, totaling 16 in all. At present, financial groups of some influence in Hong Kong and foreign countries are making frequent contacts with the Shekou Industrial Area with requests for investments and building plants. Intentional agreements on another 10 or more projects have already been initialed, and on-the-spot surveys for the choice of factory sites have been carried out for some of them.

In the past 2 years or more, the industrial area has made use of foreign capital to import 19 projects with advanced technical equipment. For example,

the "microwave relay--program-controlled digitalizer communications system" is made of elements and parts of a fairly advanced world standard, and the digitalizer belongs to the advanced communications technological level of the 1970's in the world. The industrial area has also imported on different occasions the patent rights from Denmark for making "Old Man" brand lacquer, Italian continuous casting equipment with three machines and three flows, an acetylene generator, a cold roller and cutter for aluminum, and an automatic boiler, all of advanced world standards. The industrial area is simultaneously carrying out construction and operation and has begun to show economic results. Last year it earned HK\$20 million. Eight plants now in regular or trial poperation are also beginning to receive economic benefits, and the majority of enterprises have made a profit in the same year they started operation.

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## TRANSPORTATION

### JIANGSU PASSENGER, CARGO TRANSPORT HITS ALL-TIME HIGH

Nanjing XINHUA RIBAO in Chinese 9 Jul 82 p 1

[Article by Jin Chang [6930 2490], Guo Ying [0948 3841] En Hao [1869 3185], and Pei Min [0160 3046]: "Local Communications and Transportation Departments in the Province Achieved Highest Record in Passenger and Cargo Transport in First Half of Year"]

[Text] In the first half of this year, the local communications and transportation departments in the province set the highest record in passenger and cargo transport, compared with the same period in all previous years. The volume of passenger and cargo traffic handled exceeded that of the same period last year by 14.8 percent and 10.9 percent, respectively.

The tasks of passenger and cargo transport for the province in the first half of this year were increased by a wide margin, and the contradictions between the volume of passenger traffic and the means of transport and between the methods of cargo transportation and consignors' demands were fairly serious. In order to resolve these contradictions in an effort to support industrial and agricultural production and to provide greater convenience in the people's daily lives, the local communications and transportation departments adopted the following measures:

Tapping the potential and increasing the number of passenger vehicles and regular passenger trips. The huge increase in passenger traffic was too much for the original means of transportation and the passenger transport routes to cope with. Therefore, the provincial, prefectural, and municipal long-distance vehicle transportation companies increased the number of regular passenger trips by 887 pairs [operating from opposite ends of the lines] and added more than 400 passenger vehicles to their fleets. More than 70 percent of these vehicles were for public transportation in rural areas or for short-distance runs in the counties. At present, all areas in the province, no matter how remote, are basically accessible by car as long as there are highways. In Nanjing, Changzhou, Wushi, Suzhou, and Lianyungang, tourist vehicles and boats are now available for sightseeing by the broad masses.

Changing the methods of transportation and increasing the number of vehicles for bulk cargo. In the first half of this year, there were plenty of cargoes to be hauled, particularly because of the increase in supplies for the

commune-run and production brigade-run industries and the larger volume of agricultural sideline products. While ensuring the transportation of large consignments, the local communications and transportation departments of the province also stepped up the handling of bulk cargo. From January to May this year, 50 new routes were opened for bulk cargo with 170 pairs of trucks on scheduled runs. Thus a network of bulk cargo transport has basically been formed in the province, with the trunk lines and feeder lines linking various communes and production brigades. Cargo transport is now faster, while transportation expenses and damage to the cargo have been reduced.

Having overcome the difficulties caused by the low water level in the Beijing-Hangzhou Canal, the water transport departments are now making every possible effort to transport coal. Two ocean-going freighters, "Longtan" and "Luding," have been added to the ocean-going fleet, and in the first half of this year the volume of ocean-going transport was 1.3 times that in the same period last year.

In both passenger and cargo transport, the local communications and transportation departments have extensively launched the "five stresses and four points of beauty" and the "National Socialist Ethics and Courtesy Month" campaigns, resulting in improved service in varying degrees. The passenger transport departments held a province-wide evaluation of service, and the Xipu Vehicle Station in Lianyungang won the title of "fine motor vehicle station." The motor vehicle stations in Changzhou, Suzhou, and Dongtai were also lauded in the press. The units undertaking joint transportation acted as agents for consignors in transporting, clearing shipments, taking deliveries at the consignors' doors, delivering goods to the consignees' doors, and settling accounts in the homes of customers. These measures have helped the consignors save labor and money.

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## GENERAL

### OPERATION OF PLANNED ECONOMY ANALYZED

Beijing CAIMAO JINGJI [FINANCE, TRADE AND ECONOMICS] in Chinese No 7, 15 Jul 82  
pp 32-36

[Article by Shen Liren [3088 4539 0086]: "The Planned Economy in Practice"]

[Text] Several decades have already elapsed since the socialist planned economy was transformed from a scientific hypothesis guiding the revolution into a practical economic system. We currently stress the planned economy as a specific model, while at the same time affirming market regulation as a secondary factor. This approach adheres to the basic principles of Marxism while also summing up our own experience; it is of extremely great theoretical and practical significance and is sure to vigorously drive economic readjustment and economic reform.

#### Comprehensive Evaluation of the Accomplishments of the Planned Economy and Failures In Planning Work

Since the state was founded, all of our immense achievements in economic construction have demonstrated the superiority of the socialist economic system. Implementing a planned economy has enabled us to concentrate the necessary manpower and material and financial and capabilities and to carry on large-scale construction, with the result that we have produced an independent, relatively complete industrial system and national economic system and have begun to regulate the allocation of productive forces. Implementing a planned economy has enabled us to take account of the interests of our people, 1 billion strong, to assure that they will have the necessities of food and clothing, and to stabilize market prices. The planned economy has enabled us to deal correctly with the relationships between the various departments of the national economy and the various industrial branches and with relationships within them, so that they support each other and cooperate in development. The planned economy has enabled us to discover when disproportions in the national economy have arisen as a result of subjective or objective factors, to readjust them, and to take effective measures for a rapid return to planned, proportionate development.

The superiority of the planned economy is expressed in concentrated form in its ability to operate in terms of the common and basic interests of the state, formed on the basis of public ownership of the means of production, and the entire people, to adjust the relationships between all components with foresight, and to strive for stable growth of the national economy and gradual improvement of the people's condition of life.

We also admit that there have been errors in planning. But this fact is not an inherent necessity of the planned economy; quite the contrary, errors occurred because the superiority of the planned economy was not fully brought into play. In addition to "left" errors in the guiding ideology, there is the problem that economic planning itself is still in its early stage and has not fully matured. To understand and use it requires a certain practical process which moves from externals to essence and from trial and error to mastery. Our errors have two sources.

On the one hand, without practical experience of the planned economy itself, it cannot be truly understood. For example, just what is a planned economy? We originally thought that provided there was a certain number of plan objectives to perform a directive function in the work of managing the main components of the national economy, we had a planned economy. Only through practice did we realize that planning in the formal sense was not sufficient and that we must actually achieve the "constant, conscious maintenance of balance" of which Lenin spoke. For it is constant balance versus constant imbalance and conscious balance versus spontaneous balance which demarcate the socialist economy from the capitalist economy. But what is "balance"? We originally thought that if when a contradiction was discovered we "added flour if there was too much water or water if there was too much flour," this was balance. Only through practice did we realize that balance in one or a few aspects is not sufficient, and that there must be a complete or integrated balance: a balance between social production and social needs, i.e. a balance between social product and national income on the one hand and distribution and utilization on the other, and between the component elements of accumulation and consumption. Moreover, a momentary balance is insufficient: there must also be a long-term balance. But what constitutes the balancing process? We initially thought that starting out with good intentions, using products in good supply as the standard and bringing products in short supply up to them, and leveling everything off (even while leaving gaps) constituted active balancing. Only through experience did we come to realize that we must operate in terms of objective reality, that stepping up production of products in short supply had limits and that there were many other factors which are hard to forecast and to control, so that rather than leaving gaps we should leave a margin of safety by proving suitable insurance funds: this is the true balancing procedure. In hindsight we can see that in all these matters we came to achieve understanding only by repeatedly paying a high price--and some of these matters are still not universally understood. Nonetheless, our planned economy is gradually progressing through practice and is gradually forming a set of concepts, systems, methods and organizational entities, even if they are still incomplete.

The second source of errors is that without practice we cannot have true understanding of the overall scope of economic planning. We must not only persist in stressing economic planning but must also make use of the secondary role of market adjustment. Because of differences in historical background, this principle is not made fully clear in the classics. Although there were times when we operated in realistic terms in practice, such as the first half of the 1950's and the rectification period in the early 1960's, and while exercising planned management of the national economy we paid a fair amount of attention to use of the various economic levers to regulate the different economic components and to

stimulate economic life, thereafter the "left" ideology gained the upper hand and tried to eliminate or limit the commodity economy and the laws of value in the theoretical sphere, while relying excessively on administrative methods in practice, which resulted in overrigid control, excessive management intervention, the ignoring of economic laws, a failure to use economic levers and a lack of attention to economic effectiveness, which greatly constrained the initiative of the localities, the enterprises and the masses. Excessive concentration and excessive uniformity, with everything done according to planning directives, fostered subjectivism and bureaucratism and cast the "large pot" out of which everyone had to eat, resulting in disproportions between output and demand, overextended battle lines in construction, constricted channels of circulation, egalitarianism in distribution and a host of other defects. This was not strengthening of the planned economy, but something more serious: it was an ossification or "alientation" of the national economy. It was only by repeatedly running into blank walls in practice that we again came to realize that given the country's current level of development of the productive forces and current structure of production relationships, commodity production and commodity exchange existed, so that it was necessary to give due attention to the laws of value and to make use of market regulation. Many of our errors, and particularly those expressed as consistently poor economic performance, probably stem from this cause.

When we make a comprehensive criticism of the achievements and mistakes of the past 3 years and make inferences regarding planning and market adjustment, the positive experience is that we must persist in the planned economy, while the negative lesson is that we must never lose sight of market regulation.

#### Gaining A Correct Understanding of the Main and Secondary Aspects of the Current Readjustment and Reform

Since the Third Session of the 11th Party Central Committee, order has been brought out of chaos and economic construction has shown great improvement. There has also been a sudden enlightenment regarding the problems of planning and market regulation, and steady progress has been made. The preliminary victories of economic readjustment in this period are inseparable from the initial attempts at economic reform.

Economic readjustment is based on constant adherence to the principle of putting economic planning first. Capital construction investments have long been excessive and the battle fronts have been overextended: in the past few years we have intensified plan management and have resolutely terminated or slowed down certain projects, have instituted control of over the scale of investments and ultimately have managed to shrink them somewhat. Budgetary deficits, inflation and rising prices too have gradually been brought into essential balance and essential stability only through strict plan management. Increased procurement prices for agricultural and sideline products and increased wages and the awarding of bonuses have improved the condition of life of urban and rural dwellers to the extent possible, and these too were carried out in accordance with plans. The results have become apparent very quickly and have produced orderly progress, making people see the characteristics of the planned economy.

The economic readjustment is also based on use of the secondary role of market regulation. For a long time agricultural production focused exclusively on grain while cash crops languished. In the last few years prices have been re-adjusted, the production responsibility system has been promoted and large increases in the output of cotton, oil crops, sugar crops and tobacco have been achieved. Owing to a mobilization of local and enterprise activism, light industry is showing unprecedentedly large increases in output, and many scarce popular goods have ceased to be in supply; a "buyer's market" has even developed for some of them. This is also true of goods and materials: the number of channels has increased and the number of intermediaries has decreased.

The economic reform is just beginning and the reform of the planning system and planning methods is only just being experimented with. But waves have already been made in the stagnant pool, revealing extraordinary vitality. This is a hopeful step, which begins a new page in the history of our country's socialist economic construction, creating rich experience. This is the main aspect of the situation.

We must, of course, face up to certain problems which arise as we progress, particularly the particularism, centrifugal tendencies and leanings toward liberalization which weaken or depart from the planned economy. For example, in agriculture these include irrational crop distribution, tolerance of free choice in the planting of crops, and excessive decreases in the area sown to grain. In industry, they include the eagerness to increase output of high-output-value, high-profit products in good supply and an unwillingness to complete the plans for products in short supply. In addition there is a greater or lesser degree of blind construction and redundant construction of fixed assets and a failure to turn in timely fashion toward internal expanded reproduction based on technical modernization. In circulation, the problems include unauthorized holding back of goods and materials, an inability to assure completion of the plan for requisition purchases, state-monopoly purchases, levied purchases and allotments. In import and export, they include redundant dealing with foreign agencies, competition for markets, competition for customers, and undercutting our own side so that the benefits flow to others. In the distribution of profits, they include failure to take account of state interests, tax irregularities, excessive awarding of bonuses, actions that benefit private interests at the expense of the public interest and the like.

At the same time, there are also some partly wrong or quite wrong ideas in circulation. For example, there is the willingness to admit only that the socialist economy is a commodity economy or a "planned" commodity economy, while intentionally or unintentionally refusing to admit that the basic feature of socialism is the planned economy. Another such idea is that of treating the proportional distribution of social labor as merely a requirement of the law of value, and doubting that planned, proportionate development of the national economy is an objective law. Yet another is the imposition of such conditions as "developed science and culture" in addition to the public ownership system, thus denying the possibility that our country is currently capable of running a planned economy. Finally there is the assertion that exclusive reliance on guideline quotas constitutes only predictive planning, while equating directive targets within a certain scope (i.e. incomplete ones) with subjectivism and bureaucratism.

If these problems go unsolved they may cloud our perceptions, throw our arrangements into disorder and shake our socialist planned economic system to some degree. But in relative terms, these problems are secondary matters. It is incorrect to ignore them or to put off solving them, but exaggerating their gravity and concluding that some of our reforms are errors of orientation is even more inappropriate.

There are many reasons for the problems described above. The 10 years of civil disorder confused people's thinking and threw party style and the traditions of the people into chaos. In many cases the laws and regulations have applied clearly but people have still tried to defy or circumvent them. Beyond this, the main reason is that the planned economy is still in the stage of practical development, we lack sufficient experience, there is no overall design for economic reform, and certain specific conditions are not yet fully met or management and oversight cannot yet be applied. For example, the well-established practice of "eating from one big pot" stifled the international vitality of the enterprise and the individual, but it is necessary to find a means of attacking it; price relationships at variance with value prevent many economic measures from achieving the expected results, but deciding how to alter them is a major, difficult problem; the departmental ownership and local ownership system are firmly entrenched and produce vertical and horizontal disunity, but much thought is required to find ways of correcting or replacing them. All of these problems require further solution through practice.

To summarize, the fruits already realized from readjustment and reform teach us that we must "persist in making the planned economy the primary factor and market regulation the secondary factor."

#### Persist in Promoting the Improvement of the Planned Economy in Practice

Although the behest to "make the planned economy the primary factor and market regulation the secondary factor" has a specific applicability, it does not rectify errors, much less lead matters back in the other direction. This formulation makes us increasingly clearheaded as our direction becomes increasingly correct. The fundamental principles of the planned economy must be adhered to; and certain tendencies that have currently appeared must be kept in view, while various errors that existed in the past must still be set right.

The reform of the economic system which is critical to the success of the four modernizations is extremely complex. What is the heart of the reform? Many comrades believe that it is the correct handling of the relationship between the plan and the market. Reform of the economic system is thus treated as the selection to an economic model and primarily consists of correctly solving the problem of the relationship between macroscopic, intermediate and microscopic in national economic management and the relationship between the interests, rights and responsibilities of the state, the localities, the enterprise (including the communes) and the individuals, so that all economic functioning will have abundant impetus, a free flow of information, correct policy, rational adjustment, effective organizational implementation and the requisite investigation and oversight, thus allowing it to achieve the optimum economic effect and a stable growth rate and assuring planned development of production and improvement of living conditions.

The essence and characteristic feature of socialist economics is the planned economy, and the system of socialism is expressed primarily as the planned economy. At the same time, so long as commodity production and commodity exchange exist and develop, market regulation will also be necessary. It is through different combinations of planning and the market that different types of economic systems are formed. Accordingly, reform actually includes two aspects.

The main aspect is the need to improve the planned economy. The public ownership system and the planned economy have been in existence for more than 30 years in this country, but we have wavered back and forth, and the amount of time we have actually devoted ourselves wholeheartedly to planned construction has not been large. Our planning concepts are still weak, our planning system is crude, and the entire planned-economy system is still imperfect. Our planning work is still in the "perceptual" stage in which it is based primarily on experience: we have not yet reached the level of making it a science and modernizing it. To reform the economic system we will have to make an arduous effort in this direction. Only by making planning work more scientific and making the planning system more precise can the planned economy be improved. When we stress putting the planned economy first, we should stress not only the authority or rigorous character of planning, but primarily its scientific nature.

The secondary aspect is that we should develop market adjustment. As an objective entity, market regulation has already been in existence for many years. But true recognition and conscious utilization of it have been intermittent and transient. There are both objective and subjective hindrances to developing market regulation. Overall, it has just begun to emerge; it has not proceeded too far. Reform of the economic system will require a great deal of work in this area. Since the defects of the economic system in the past involved excessive rigidity, in a certain sense the present reform involves remaking and modernizing the traditional, highly centralized planned economy into a planned economy which contains market regulation. This will not result in weakening and depreciating the planned economy, but rather is an essential element for assuring that the planned economy will be improved.

What is the relationship between planning and the market? First, the priorities of the two must be understood correctly and not reversed; but they should not be treated as good and bad or important and unimportant respectively. If we compare socialism with capitalism, the planned economy is of course better than anarchy. But within the socialist economy, they are two different regulation mechanisms which are both based on the public ownership system, and thus are mutually supportive. If we consider planning as a conscious regulating mechanism, market regulation should be considered an automatic regulating mechanism; this is more revealing of its characteristics than considering it to be spontaneous. Everything has a dual nature. Market regulation is not equivalent to liberalization, but if it becomes divorced from plan guidance it can involve blindness; even less is the planned economy equivalent to subjectivism (the charge that "planning is subjective"), but if it divorces itself from insight into objective reality it too can be guilty of blindness and may even be more dangerous than market regulation.



Second, while to some extent the two are sharply delineated, as when we commonly speak of "within plan" and "outside of plan," in many other cases they interpenetrate and are interconnected. Even direct planning or directive targets, such as those for the main industrial and agricultural products, not only must take account of market requirements and be in accord with the laws of value, but must largely be embodied in the market. In the case of cotton cloth production, for example, the total quantity is prescribed by the plan, while varieties, specifications and colors must be arranged in accordance with market requirements. In the case of indirect planning or guideline targets, although the targets for products such as ordinary industrial products of secondary importance and agricultural sideline products are published by the state, they are mainly regulated by economic levers, and the ultimate decision-maker is the enterprise; thus, here we have both the form of planning and the flavor of market regulation.

In the last analysis, although there are contradictions between the two, they must ultimately be unified. The contradictions are both macroscopic and microscopic and reflect the unity of and discrepancies between the material interests, motives, information and decision-making activity of the state, localities, enterprises and individuals. Resolving these contradictions and seeking unity of these two elements has become a major problem in reforming the economic system. Their resolution requires correct handling of the following three relationships.

The first of the relationships is that between flexibility and rigidity. One viewpoint holds that market adjustment is flexible and the planned economy is not so flexible. Actually, market adjustment should be flexible, but so should the entire planned economy. When we speak of flexibility we do not mean a freedom to run counter to what is inevitable, but rather the conscious following of the various economic laws of socialism, expressed through adherence to proportionality in all departments of the national economy and interconnection of all links in social reproduction, so that the economic cycle proceeds smoothly and there is free, unhindered movement from production through circulation to consumption, and so that there is an ability to adapt in timely fashion to the myriad changes of the economic situation. The production relations of socialism are adapted to the nature of the productive forces; they protect and promote the development of the productive forces and create sufficient conditions for the "flexibility" of the entire economy. Provided that an effective integrated balance is achieved in the planned economy, the functioning of the entire economy will be vigorous, flexible and successful. Provided that it is flexible but not disorderly, increased flexibility is good. Making the socialist economy flexible reforms the economic system and is the common requirement of both the planned economy and market adjustment.

The second relationship is that between centralization and decentralization. This means the distribution and unification of the rights, responsibilities and interests of the state, the localities, the enterprises and the individual. Experience shows that both excessive centralization and excessive decentralization are undesirable. There should be centralization where centralization is suitable and decentralization where decentralization is suitable. For this there is an objective basis and objective standard, namely that the organizations which make decisions on overall interests should have centralized power and be responsible

to the Central Committee. With this proviso, the rights and responsibilities which appertain to particular interests and do not affect overall interests should be dispersed among the various levels. In planned management, all major matters concerning the overall balance, such as controlling overall social requirements so that they are balanced with overall supply, and all matters affecting their internal structure, such as determining the proportion between accumulation and consumption, which accordingly determines the directions, objectives, speed, program, effectiveness and disposition of economic, technical and social development, must be centralized. But we are a large country, and the individual provinces, municipalities and autonomous regions are not inferior in population and area to certain sizeable countries; in addition, in view of the degree of socialization of production and the extent of its commodity basis, and in view of communications and information conditions, excessive centralization is not suitable. In specific terms, expanded reproduction and investments in fixed assets should be somewhat more centralized, while general production may be somewhat more decentralized; within production, industry should be somewhat more centralized and agriculture somewhat more decentralized; within industrial production, heavy industry should be somewhat more centralized and light industry somewhat more decentralized; in circulation, means of production should be somewhat more centralized and means of subsistence somewhat more decentralized; within production and circulation, products in short supply should be more centralized and products in good supply somewhat more decentralized. In addition, during the current readjustment we should have somewhat more centralization, but in the future when financial and economic conditions have fundamentally improved we have somewhat more decentralization. To summarize, on the one hand we have centralization of major concerns and decentralization of minor concerns, while on the other we have small areas centralized and large areas decentralized. In particular the questions of how to bring the central role of the various economic entities such as provinces, cities, autonomous regions and economic centers based on large and medium cities into play and how to give due attention to the vertical and horizontal interrelationships of the intermediate levels between the macroscopic and microscopic levels merit consideration.

The third relationship is that between economic levers and noneconomic measures. The former must be predominant and supported by necessary administrative intervention, legislation and enforcement, social oversight, organizational guarantees and ideological education. At present the economic levers are not yet flexible and we cannot avoid considerable reliance on other measures; but these measures themselves are not adequately implemented and they need further intensification. In terms of the long run, we must learn to make better use of the various economic levers, to use them skillfully and smoothly.

The planned economy in practice is still the realm of necessity. The search for an economic system in which the planned economy is primary and market adjustment has a secondary role, and which is in accord with our country's situation, so as to improve the socialist planned economy, is the historic task which awaits us. We should assimilate foreign economics, but it cannot be a ready-made model for us. We should unwaveringly strive to further this glorious task in our own practice.

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## GENERAL

### PLANNED ECONOMY, MARKET'S REGULATIVE ROLE STUDIED

Fuzhou FUJIAN RIBAO in Chinese 2 Jul 82 p 3

[Article: "Problems of Planned Economy and the Regulative Role of the Market Discussed"]

[Text] From 24 to 25 June, the Fuzhou branch of the provincial economics association held a symposium on the topic of economic restructuring. More than 30 persons, including provincial and municipal economic workers and economic theorists, attended the meeting to discuss the question of restructuring the system of economic management, centering around "planned economy and the market's regulative role." The highlights of the discussion are summarized as follows:

1. There were several different views on the special features of socialist economy: 1) Socialist economy is essentially based on public ownership of the means of production, and its special feature can only be planned economy, which cannot be called planned commodity economy. 2) Commodity economy or planned commodity economy under the system of public ownership of the means of production is an important feature of socialist economy. Planned economy is the substance, and commodity economy is the form of expression. If commodity economy is distinctly qualified by the words preceding it, there should be no possibility of its confusion with the capitalist commodity economy.

2. There were several concepts of planned economy and the market's regulative role: 1) Socialist planned economy is a system of planned control by states of proletarian dictatorship over production, distribution, circulation, and consumption. The primary role of planned economy means that in socialist economy, planned economy plays the main role while nonplanned economy plays the auxiliary role. 2) Socialist planned regulation is a means of socialist economic management. The objects to be regulated include the essential aspects of production, distribution, circulation, and consumption. The essence of regulation is to correctly handle the various relations of interest according to objective economic laws. 3) Socialist market regulation is another means of socialist economic management. It must be used within the scope permitted by state plans. The objects to be regulated are certain nonessential aspects in the realms of production, distribution, circulation, and consumption, and certain essential aspects for which planned regulation cannot be carried out for the time being.

3. How can we handle the relationship between planned regulation and market regulation? 1) The main products related to the national economy and the people's livelihood and the backbone enterprises related to the national economic lifeline should be regulated according to mandatory plans. The minor commodities of numerous varieties, and the enterprises or individual laborers producing or dealing in these minor commodities, can be regulated by the market within the scope permitted by state plans. 2) All publicly owned enterprises (including production teams) must fulfill state plans before producing or selling for themselves. 3) The plans of localities and enterprises must conform to the goals and directions according to the plans of the central government. 4) Enterprises that do not have sufficient tasks under state plans can first use market regulation and later include it in state plans. 5) Based on the requirements of state plans, the varieties, specifications, and designs can be adjusted according to market needs. 6) When state plans leave gaps in production, supply, and marketing, the enterprises can fill them through the regulative role of the market. 7) When the fulfillment of state plans has to be ensured through the use of economic levels, it is planned regulation. When anything is completely regulated by the market, there is market regulation.

4. There were also suggestions on improving the work of planning. To ensure the scientific character, prestige, and effectiveness of national economic plans and their enforcement, it was suggested that 1) the guiding thought in working out plans should be to seek truth from facts, and to do what we are capable of doing according to the conditions and resources of our country; 2) in planning, we should attach great importance to investigations and study, take the mass line, fully develop democracy, carefully exercise our foresight, and agree with the experts' confirmation instead of juggling with figures behind closed doors; 3) the system of management according to national economic plans calls for unified planning, differentiated administration, and a combination of central and local authorities; 4) the procedure of working out national economic plans should be from below upward and again from above downward, so that there will be coordination of the higher and lower levels and an overall balance; 5) the specific means of readjusting the national economy can be economic as well as administrative, backed up by law and used in coordination and alternation; 6) we should strengthen the work on the basic data of planned economy, carefully compile statistics, form an economic information and communications center, pay attention to feedback, and gradually learn the use of economic levers; and 7) there should be close coordination between long-range and medium-range economic plans, annual plans, and enterprises' plans; the coherence of the plans should be maintained.

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GENERAL

## TIANJIN HOLDS CONFERENCE ON URBAN COLLECTIVE ECONOMY

Tianjin TIANJIN RIBAO in Chinese 20 Jun 82 p 1

[Article: "The Development of Urban Collective Economy Requires Joint Efforts by Every Quarter of Society"]

[Text] The current development of the urban collective economy especially requires the joint efforts of every quarter of society, down-to-earth work, and truly solid implementation of the relevant targets and stipulations of the party Central Committee, the State Council, and the municipal party committee and government. This was the unanimous view of the responsible comrades of districts and bureaus who took part in the working conference on urban collective economy held by the municipal government.

This working conference began on 17 June and ended yesterday afternoon. Responsible comrades of the municipal party committee, the standing committee of the municipal people's congress, and the municipal people's government attended the conference. Comrade Hao Tianyi made a speech at the conference. The conference pointed out that the development of the urban collective economy is related to the personal interests of countless households and is an important part of the work of the whole party and society. Therefore, we must develop the initiative of each profession and trade, and persist in the guiding policy of "doing it fast (district neighborhoods), doing it orderly (bureaus), everybody getting to work and every quarter getting involved." If each quarter, with one mind and one heart, helps each other and cooperates closely, then we will truly handle properly the urban collective economy. At present, it is especially necessary, through the hard work of all quarters, to solve some pressing problems encountered when setting up the urban collective economy, such as spaces for management, sources of goods, initial outlay of funds, etc.

The conference organized, with the attending comrades, the study of several important problems in the work of developing the urban collective economy. The conference held that many ways must be adopted to solve the space problem. Based on the principle of not adversely affecting the city's program, communications, and appearance, each profession and trade should now first of all fully utilize the unused civil air defense projects and the unused interior empty space in those relatively long streetside enclosures of enterprise units, institutions, government offices, military installations, and colleges and universities by starting construction projects. Fifty percent of the newly built commercial network outlets in the new program should be taken out and handed

over to urban collective enterprises to manage. Regarding commercial network outlets stipulated to be managed by the state, if within a period of 3 months they have not been able to start operation, then, with the approval of the district people's government, they will be turned over to collective units to manage; and the areas of the old city proper that have an extreme shortage of commercial network outlets, under the principle of the "three not-affects" and after the local government has made unified plans and arrangements, may, on fairly wide side streets, operate some neat and eye-pleasing mobile network outlets. Concerning the problem of materials and sources of goods, we must persist in treating the collective enterprises in the same manner as we treat state-run enterprises, providing equal treatment without discrimination and giving them the appropriate consideration and support. With regard to plan commodities needed by the new collective-owned enterprises, in line with their subordinate relationship they may separately be brought into the plans of the department in charge and the planning department, and regular supply channels be established for them. With regard to commodities, in great demand, the state-run commercial wholesale departments and materials departments must, in line with the circumstances as to sources of goods, fix the proportion of goods to be supplied based on the turnover from retail trade and make this proportion known to the public, and they must actively support the collective enterprises. We must help the already established fairly large collective-owned clothing and food-processing enterprises to engage in good production and to guarantee the supply of goods and materials. For the funds required to develop the urban collective economy, we must, persisting in the principle of making self-reliance primary and state aid supplementary, solve the problem through channels: (1) making overall plans for the funds within the city; (2) raising part of the money from organizations, units of enterprises and other undertakings, residential districts, etc.; (3) adopting for youths awaiting employment in the collective economy the method of share buying and profit-sharing so that they will raise money themselves; and (4) banks providing low-interest loans.

The conference decided that the existing urban collective enterprises, must, under the principle of "voluntarily organizing, independently budgeting, and assuming sole responsibility for one's profits or losses," carry out reorganization, correct their managerial orientation, strengthen their leading groups, perfect their rules and regulations, and readjust their income distribution in order to better consolidate and develop the urban collective economy.

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